

**Introduction**

This Appendix sets out the results of a self-assessment on the questions and scrutiny checklist contained in the Accounts Commission Supplement (Appendix 2 to this report). The self-assessment was based on input from officers and those elected member who were able to attend the Capital & Treasury Management Training event on 5 June 2015. The self-assessment results are presented in this Appendix as a basis for further scrutiny and discussion by the Scrutiny & Audit Committee rather than a final position.

**Section A - Audit recommendations for improved scrutiny**

<b>Recommendation – Council Officers Should:</b>	<b>Officer Comments on Recommendation</b>	<b>Suggested Actions</b>
Use the treasury management strategy to present a wider strategic view of borrowing and treasury management. It should use clear and accessible language and be prepared for councillors as the key audience. It should include how the borrowing strategy is informed by corporate priorities and capital investment needs. The strategy should include:	Finance Officers intend to review the current capital and treasury reports and how these are presented. The review will seek to simplify language and content as far as possible.	Carry out review of reports as intended. Also look at suggestions of financial dashboard and summaries of key information and financial handbook for more complex areas.
<ul style="list-style-type: none"> <li>links to capital investment plans and corporate objectives</li> </ul>	Compliant - no change considered to be needed	None
<ul style="list-style-type: none"> <li>all borrowing and other debt</li> </ul>	As above	None
<ul style="list-style-type: none"> <li>prudential indicators as a core part of the strategy</li> </ul>	As above	None
<ul style="list-style-type: none"> <li>a clear assessment of the affordability and the impact on revenue budgets both in the short and long term</li> </ul>	As above	None
Review the content of year-end reports to ensure they provide an assessment of the effectiveness of the year's borrowing and treasury management activities and the performance of the treasury management function. This should include appropriate indicators, comparative figures, and appropriate explanations.	As above	None

<b>Recommendation – Council Officers and Councillors Involved in Treasury Management Should:</b>	<b>Officer Comments on Recommendation</b>	<b>Suggested Actions</b>
Review governance arrangements, and update as necessary, to ensure they provide:		
<ul style="list-style-type: none"> <li>the treasury management strategy, mid-year and year-end reports to the same council committee, and that the full council has access to them</li> </ul>	Compliant - Council receives all of these reports. Strategy and Annual Report goes to Scrutiny & Audit Committee first for review. No change considered to be required	None
<ul style="list-style-type: none"> <li>councillors with mid-year reports by the end of December each year</li> </ul>	Compliant – mid-year reports usually provided in November	None
<ul style="list-style-type: none"> <li>councillors with the wider picture, that is, make the links to capital investment decisions and revenue budgets</li> </ul>	Compliant but will reconsider this as part of overall review of report contents and language	Identify areas for improvement as part of review of report content and language
<ul style="list-style-type: none"> <li>councillors with access to all reports relating to borrowing and treasury management activity including risk registers</li> </ul>	Compliant	None
Ensure scrutiny arrangements are robust by:		
<ul style="list-style-type: none"> <li>considering widening the range of training options to councillors on borrowing and treasury management activities and whether this training should be mandatory</li> </ul>	Councillor views sought – training has been provided on several occasions over the years and especially after elections for new councillors	Consider making some training for councillors with specific responsibilities mandatory e.g. for members with a scrutiny role
<ul style="list-style-type: none"> <li>considering whether training for councillors provides a balance of scrutiny skills and knowledge of treasury management.</li> </ul>	Councillor views sought – do Councillors feel comfortable with scrutinising treasury management?	None – providing members attend training when it is provided

**Section B – Scrutiny Checklist for Councillors**

Questions for councillors on borrowing and treasury management

**Treasury management strategy and related reports**

Question	Why should I ask this?	What do I expect to see/hear in the response from officers?	Officer Comments on Question	Suggested Actions
Do the contents of the treasury management strategy and related reports include all recommendations in the CIPFA codes?	The CIPFA codes are best practice guidance and councils should be meeting the guidance. Only in exceptional circumstances should councils not be following the guidance.	Officers should provide assurance that reports meet all recommendations but will highlight any departures from the code with an explanation why.	Angus Council reports comply with the Code requirements in full but their content will be reviewed to try to improve their usability	None – members satisfied with existing arrangements and information provided by professional officers
Do the contents of the treasury management strategy reflect the wider picture of how we plan to meet our capital commitments?	CIPFA's Prudential Code helps councils demonstrate good capital investment decisions. The treasury management strategy reflects how these decisions impact on treasury management activity. Our expectation is that the strategy is self-explanatory.	Minimal additional explanation should be required from officers to explain the wider context.	The Strategy is built around our capital plans and existing cash and borrowing position. Members may wish to comment on how easy it is to use and follow	Members keen to see simplification where possible in presentation of information and language. Consideration also to be given to providing more briefings to explain more complex issues. Regular training in treasury and finance matters considered essential to help members maintain an understanding. Members keen to have more informal opportunities for discussion and questions on complex areas like treasury

**Borrowing and other financing decisions**

Question	Why should I ask this?	What do I expect to see/hear in the response from officers?	Officer Comments on Question	Suggested Actions
Is the proposed borrowing option the best option for the council?	Other viable financing options may be available. Officers should be considering all options and appraising these.	Officers can explain the other options that they have considered. Officers should be able to demonstrate that they have considered different scenarios. The treasury management strategy should reflect on the options that have been considered and include links to further information.	Our Strategy does not get into this level of specific detail – borrowing decisions about when to borrow, how much and over what periods are delegated to professionally trained officers. Issues about funding options for capital projects are covered in budget reports. The Treasury Strategy Report will consider the pros and cons of internal borrowing as a short term option	None – members attending training on 5 June are satisfied with current arrangements
What would affect the decision and how will I be informed if the situation changes?	Economic circumstances, such as interest rates, may change throughout the year that will affect decisions. As a councillor you should expect officers to keep you updated on significant changes in circumstances that will affect treasury management decisions.	Officers may be able to offer briefings or updates in these circumstances.	3 reports are provided to Councillors across the financial year in March (Annual Strategy); September (Annual Report for previous year) and November (mid-year update). It is unlikely that reporting or briefing in addition to these would be required but exceptional issues would be reported if the situation arose	None – members attending training on 5 June are satisfied with existing approach of 3 reports during the year supplemented by ad-hoc reports if and when required
What are the risks?	Treasury management risks should be identified within the appropriate council risk register. In making or approving decisions you need to be aware of the potential risks and how likely they are to emerge. New financing options may have additional or different risks to traditional borrowing.	Officers should: outline how they identify, monitor and act on treasury management risks identify and discuss the risks and the likelihood of them occurring refer to other treasury management risk registers and reports.	Risk management is central to all activity in treasury management and our risk register includes treasury management. Members are kept advised of the risks and how these are being managed via the regular reports to Council and Scrutiny & Audit	Treasury reports to focus on specific risks for the period under review in the report and highlight significant risks or changes in risk in comparison to previous reports, i.e. exception reporting
Have we received any external advice?	It may be helpful to seek external advice, particularly on new financing options.	Officers should explain the nature of any advice they received and whether or not they took it.	Reports make clear any advice received but the ultimate advice always comes from officers. It is rare for advisor advice not to be followed but if there are disagreements these can be flagged to members in future reports	None – current approach of exception reporting to be continued.

**Borrowing and other financing decisions (continued)**

Question	Why should I ask this?	What do I expect to see/hear in the response from officers?	Officer Comments on Question	Suggested Actions
What are other councils doing?	Councils have policies in place, have different circumstances and have to do what is right for them but knowing what other councils are doing can provide assurance on your own decisions.	Officers should: <ul style="list-style-type: none"> <li>know whether there are any councils with similar circumstances and draw comparisons</li> <li>be aware of other councils' borrowing patterns and where they are borrowing from</li> <li>be aware of new financing options and whether other councils are using them, and their experience of using them.</li> </ul>	Angus is part of an investment benchmarking club as an opportunity to learn what others are doing. We are also part of the Treasury Management Forum and exchange and receive various information from this source on what other Councils are doing. Our treasury advisor also keeps us informed. New financing options such as TIF, City Deals, etc. are kept under review and reported to members when appropriate	None – members attending training on 5 June satisfied we are comparing our arrangements where possible recognising that much of treasury management is judgement based and affected by historical decisions so meaningful comparison can be difficult.

**Affordability and sustainability**

Question	Why should I ask this?	What do I expect to see/hear in the response from officers?	Officer Comments on Question	Suggested Actions
Is the borrowing and finance affordable?	Decisions will impact on current and future budgets when finances are already tight.	Officers should: <ul style="list-style-type: none"> <li>detail the costs of different options and scenarios</li> <li>detail the impact of the preferred option on the revenue budget.</li> </ul>	Affordability is covered in detail as part of our long term review (25 years) which is updated annually	Members keen to see use of clearer language and better explanations and shorter more focused affordability report.
What is our current maturity profile for our borrowing?	Borrowing decisions made today have a long-term impact on revenue budgets. The maturity profile shows the future impact of past and current borrowing decisions. It will highlight future periods of demand on the revenue budget. Councils should be trying to 'smooth' their maturity profile, that is, try to ensure as even a spread of debt and demand on the revenue budget as possible.	A chart of maturity dates is usually easier to interpret. <ul style="list-style-type: none"> <li>Officers will be able to identify future periods of potential financial pressure from the charts.</li> <li>Officers can explain what steps are being taken now to ensure the financial resources are in place in future.</li> <li>Officers can also explain how decisions to borrow will affect the future profile.</li> </ul>	Consideration of maturity profiles is integral to our Treasury Strategy and we have prudential indicators which allow this issue and risks to be monitored and managed	Officers to include maturity charts in future reports to help explain strategy and risks
How does our profile compare to other councils?	This can highlight whether the council will face similar pressures to others. It is useful for drawing on the experience of other councils.	A chart comparing the council's profiles with others will highlight similarities and differences. Officers can explain similarities with other councils and may be able to explain how other councils plan to deal with similar financial pressures.	Whilst comparison may be interesting to a point its up to each Council to be comfortable with their approach and Strategy. Views and approaches will differ and maturity profiles will be significantly affected by historic decisions	Continue with existing comparison and benchmarking work but consider whether more of this could be shared with members in Treasury Reports
What other debt do we have? (Examples include: PPP/PFI, NPD and TIFs)	Commitments to borrow shouldn't be taken in isolation. Other debt has a long-term financial impact.	The treasury management strategy should set out all of the council's existing liabilities. The strategy should indicate the financial commitments and include a link to the detail.	Other debt such as PPP/PFI commitments is included in relation to treasury limits	None – existing arrangements considered adequate
Are we liable for the debt of ALEOs or other external bodies?	Effective risk management includes identifying and monitoring potential financial commitments.	The treasury management strategy should include the nature of debt with ALEOs or other external bodies. Officers should be able to identify debts, what the relationships are, what the nature of the potential debt is and the likelihood of it occurring. Officers should be able to refer to a risk assessment.	Not a relevant issue for Angus at present but will need to be kept under review once Angus Alive become operational	None – but keep under review in context of Angus Alive and other developments

**Performance and benchmarking**

Question	Why should I ask this?	What do I expect to see/hear in the response from officers?	Officer Comments on Question	Suggested Actions
What do the prudential indicators tell me?	The indicators use technical terms and are based on figures from the financial statements. They can indicate an increasing proportion of spend on debt repayments and when things are becoming less affordable. It is useful to compare trends year-on-year. There is the potential for comparing trends and patterns with other councils although the indicators are meant to be used by councils individually.	The treasury management strategy should explain, in layman's terms, what the indicators mean. Officers should provide further explanation or clarification. Although indicators are for the use of individual councils, officers may be able to draw trend comparisons with other councils. Officers should explain any action they have taken or plan to take in relation to the indicators.	Detailed report submitted annually on the treasury indicators and each indicator has an explanation of what its intended purpose is and any care required in how to interpret it. Comparisons with other Councils are reviewed by officers in providing advice to members	Members keen to see simplification and less detail where possible including use of highlights and executive summaries and comparisons of Angus performance with peers.
Is 'under-borrowing' a good thing? What does this mean in practice?	'Under-borrowing' means the council did not need to borrow up to the level of the estimated capital financing requirement. 'Under borrowing' is usually seen as positive but can be a sign of other issues, such as, not accurately identifying the borrowing requirement or slippage in the capital programme.	Officers should explain why this happened, for example, additional money from capital receipts meant the reduced need to borrow less.	The outturn on the capital budget explains how this affected the financing arrangements including borrowing. Members get updates on the implications for financing arrangements in monitoring reports throughout the year	None – members attending training on 5 June satisfied with arrangements save for the comments around simplification of language, etc.
Do we have other performance measures?	The Prudential Code sets out the minimum requirements for performance reporting. Councils can introduce other performance measures.	Officers should be able to explain the purpose, details and any necessary remedial action in relation to the performance measure.	The Prudential Code already requires a host of measures to be looked at. Benchmarking is also carried out at officer level	Members keen to see performance information and benchmarking used as much as possible. Use of Capita to facilitate this as an option
What do our advisors cost and what do we get for this?	There are very few advisors in the market. The council needs to: <ul style="list-style-type: none"> <li>• ensure that a thorough and impartial appointment process is in place</li> <li>• have assurance that advice is tailored to the individual authority</li> <li>• ensure that officers ultimately take the decisions.</li> </ul>	Officers should provide details of: <ul style="list-style-type: none"> <li>• the tendering process for appointing the advisors</li> <li>• the cost and terms of the contract, including what services the advisors will provide</li> <li>• examples of advice not taken and why.</li> </ul>	Advisors contracts are re-tendered every 3-5 years and are subject to a procurement authority report which details the services sought, etc. The annual cost is modest £16k relative to value of debt and investments being managed (circa £200m combined)	None – members attending training on 5 June satisfied that arrangements provide good value
Do we have the treasury management skills that we need?	This is a very technical area that requires suitably skilled and trained staff. CIPFA treasury management qualification is no longer available. It is important to have succession planning: that is, what arrangements are in place if treasury management staff leave.	Officers should be able to: <ul style="list-style-type: none"> <li>• detail the cost, number of staff and skills/qualifications of those involved in treasury management</li> <li>• justify current staffing requirements</li> <li>• detail future staff needs or training requirements and how they will be met.</li> </ul>	Treasury management in Angus is run by a very small team who all have other duties but they are well experienced and our performance has been good over many years. No members of the team have a specific treasury qualification. Staff changes mean a number of Finance staff have treasury experience and could go back to that work if required in an emergency	None but members attending the training on 5 June want officer to keep this under review from a business continuity perspective