
TREASURY MANAGEMENT STRATEGY 2012/13

Report by Chief Financial Officer

SCOTTISH BORDERS COUNCIL

9 February 2012

1 PURPOSE AND SUMMARY

1.1 **This report proposes the Treasury Management Strategy for 2012/13 for Council approval.**

1.2 (a) The CIPFA Code requires the Council to approve an annual Treasury Management Strategy which has been through the appropriate scrutiny and is presented at the same time as the Council's Financial Plans.

(b) **Appendix 1** contains the Treasury Management Strategy 2012/13 and this incorporates the Prudential and Treasury Indicators for the next three years.

2 RECOMMENDATIONS

2.1 **It is recommended that the Council:-**

- (a) **Approves the Treasury Management Strategy contained in Appendix 1; and**
- (b) **Approves the Prudential and Treasury Indicators set out in paragraph 4.8.**

3 BACKGROUND

- 3.1 The Council approved the Treasury Management and Investment Strategies for 2011/12 at the Council on 10 February 2011. The requirements that underpin these Strategies are set out in CIPFA (Chartered Institute of Public Finance & Accountancy) *Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes* (the CIPFA Code).
- 3.2 The Local Government Investments (Scotland) Regulations 2010 require the Council by law to take into account the CIPFA Code and *The Prudential Code for Capital Finance in Local Authorities* also published by CIPFA. The Finance Circular 5/2010 contains the ministerial consent to authorities in relation to powers to invest.
- 3.3 As part of the process of developing the Treasury Management Strategy the Audit Committee have a scrutiny role prior to the Strategies being approved by Council and Audit Committee considered and recommended the attached Strategies for Council approval at their meeting on 26 January 2012.
- 3.4 The Treasury Management Strategy 2012/13 has been reformatted to incorporate the Annual Investment Strategy and the proposed Prudential and Treasury Indicators for the next 3 years.
- 3.5 During December 2011 the Chief Financial Officer, exercising delegated authority, authorised additional long term borrowing through the Public Works Loan Board (PWLB) and borrowed an additional £7.5m over 10 years on a maturity repayment basis at 3.37% per annum interest. This was within the approved borrowing limits and still results in the Council being in an under-borrowed position.

4 TREASURY MANAGEMENT STRATEGY

- 4.1 The Treasury Management Strategy (the Strategy) is set out in **Appendix 1**.
- 4.2 The document's construction differs from previous years in that the Treasury Management and the Investment Strategies have been combined into a single strategy.
- 4.3 The Strategy covers two main areas:
- (a) Capital:
 - The capital plans
 - The prudential indicators
 - (b) Treasury Management:
 - The current treasury position

- Treasury indicators which provide boundaries for the treasury risk and activities of the Council
- Prospects for interest rates
- Borrowing Strategy
- Policy on Borrowing in Advance of Need
- Debt Rescheduling
- Annual Investment Strategy
- Creditworthiness Policy
- Performance Indicators
- Monitoring and Reporting
- Treasury Management Consultants and Advisers
- Member and Officer Training

- 4.4 The Strategy has been amended to incorporate the Permitted Investments and limits for the Common Good and Trust Funds following the approval of their Investment Strategy by Council in December 2011. In addition, and for completeness, the Pension Fund has also been included but only for the element of that is managed in-house by the Council. The externally managed Pension Funds are governed by the Statement of Investment Principles, which were approved by the Pension Fund Sub-Committee in June 2010.
- 4.5 The Strategy reflects the impact of Administrations Draft Capital Financial Plan 2012/13 – 2021/22 and incorporates the impact of Waste Treatment Facility Public Private Partnership (PPP) project on the balance sheet and the Prudential Indicators.
- 4.6 The Strategy also reflects the additional borrowing proposals for the National Housing Trust and lending to Registered Social Landlords which are both subject to the Scottish Government providing Consent to Borrow for this expenditure.
- 4.7 The implications of paragraphs 4.5 and 4.6 have resulted in updated Debt and Investment projections and revised Prudential and Treasury Indicators.

4.8 The following table summarises the updated Prudential and Treasury Indicators identified within the Strategy, and the Page references are to the pages in **Appendix 1**.

Indicator Reference	Indicator	Page Ref.	2012/13	2013/14	2014/15
PRUDENTIAL INDICATORS					
Capital Expenditure Indicator					
PI-1	Capital Expenditure Limits	5	£28.7m	£24.3m	£24.2m
PI-2	Capital Financing Requirement (CFR)	6	£276.8m	£294.7m	£288.7m
Affordability Indicator					
PI-3	Ratio of Financing Costs to Net Revenue	7	9.59%	9.84%	10.31%
PI-4	Incremental Impact of Capital Investment Decisions on Council Tax	7	(£0.01)	(£0.01)	(£0.01)
External Debt Indicators					
PI-5	Actual Debt	8	£256.2m	£282.7m	£284.7m
PI-7a	Operational Boundary (inc. Other Long Term Liabilities)	9	£272.3m	£288.0m	£287.9m
PI-7b	Operational Boundary (exc. Other Long Term Liabilities)	9	£213.8m	£215.0m	£216.9m
PI-8a	Authorised Limit (inc. Other Long Term Liabilities)	9	£304.7m	£323.9m	£318.2m
PI-8b	Authorised Limit (exc. Other Long Term Liabilities)	9	£246.2m	£250.9m	£247.2m
Indicators of Prudence					
PI-6	(Under)/Over Net Borrowing against the CFR	8	(£42.4m)	(£21.3m)	(£21.8m)
TREASURY INDICATORS					
TI-1	Upper Limit to Fixed Interest Rates based on Net Debt	12	£273.3m	£288.0m	£287.9m
TI-2	Upper Limit to Variable Interest Rates based on Net Debt	12	£95.3m	£100.8m	£100.8m
TI-3	Maturity Structure of Fixed Interest Rate Borrowing 2012/13	12	Lower		Upper
	Under 12 months		0%		20%
	12 months to 2 years		0%		20%
	2 years to 5 years		0%		20%
	5 years to 10 years		0%		20%
	10 years and above		20%		100%
TI-4	Maximum Principal Sum invested greater than 364 days	22	20%	20%	20%

5 IMPLICATIONS

5.1 Financial

There are no additional financial implications in relation to this report.

5.2 Risk and Mitigations

The key purpose of subjecting the Treasury Management Strategy to Audit Committee scrutiny is to ensure that they are satisfied with this element of the risk management framework for the treasury management function within the Council. These strategies provide the parameters and guidance for making the appropriate investment and borrowing decisions for the Council.

5.3 Equalities

It is anticipated that there are no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals in this report.

5.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report which would affect the Council's sustainability policy.

5.5 Carbon Management

There are no direct carbon emissions impacts as a result of this report.

5.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes to the Scheme of Administration or Scheme of Delegation are required as a result of this report.

6 CONSULTATION

6.1 The Head of Legal and Democratic Services, the Head of Audit and Risk, and the Clerk to the Council have all been consulted and their comments have been incorporated in the final report.

6.2 The Audit Committee received a draft copy of the Strategy to review and scrutinise at their meeting on the 26 January 2012.

Approved by

Chief Financial Officer

Signature David Robertson

Author(s)

Name	Designation and Contact Number
Lynn Mirley	Treasury & Capital Manager, 01835 825016

Background Papers:

Previous Minute Reference:

Executive, 10 February 2011, Item

Pension Fund Sub-Committee, 23 June 2010, Item

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Contact us at: Treasury & Capital Team, Council Headquarters, Newtown St Boswells, Melrose, TD6 0SA Tel: 01835 825016 Fax 01835 825166. email: treasuryteam@scotborders.gov.uk