
TREASURY MANAGEMENT MID-YEAR REPORT 2014/15

Report by Chief Financial Officer

SCOTTISH BORDERS COUNCIL

20 November 2014

1 PURPOSE AND SUMMARY

- 1.1 **This report presents the mid-year report of treasury management activities for 2014/15, in line with the requirements of the CIPFA Code of Practice, including Prudential and Treasury Management Indicators.**
- 1.2 The report is required as part of the Council's treasury management control regime. It provides a mid-year report on the Council's treasury activity during the six month period to 30 September 2014 and demonstrates that Treasury activity in the first six months of 2014/15 has been undertaken in full compliance with the approved Treasury Strategy and Policy for the year.
- 1.3 **Appendix 1** contains an analysis of the performance against the targets set in relation to Prudential and Treasury Management Indicators, and proposes revised estimates of these indicators in light of the 2013/14 out-turn and experience in 2014/15 to date for Council approval.

2 RECOMMENDATIONS

- 2.1 **It is recommended that Scottish Borders Council:**
 - a) **Notes that treasury management activity in the six months to 30 September 2014 was carried out in compliance with the approved Treasury Management Strategy and Policy;**
And
 - b) **Approves the Treasury Management Mid-Year Report 2014/15, as contained in Appendix 1, including the revised indicators.**

3 BACKGROUND

- 3.1 The Council approved the Annual Treasury Management Strategy (the Strategy) for 2014/15 at the Council on 6 February 2014. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 3.2 As set out in the annual Treasury Strategy, the Audit Committee has a role to scrutinise the Mid Year Report before submission to Council for final approval. This scrutiny was undertaken at the Audit Committee on 10 November 2014.

4 TREASURY MANAGEMENT MID-YEAR REPORT 2014/15

- 4.1 The Treasury Management Mid-Year Report for 2014/15 (the Mid-Year Report) is contained in **Appendix 1**. All of the 2014/15 target indicators reported upon are based on the indicators agreed as part of the Strategy approved on 6 February 2014.
- 4.2 The Mid-Year Report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:
- An economic update for the first six months of 2014/15
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - The Council's capital expenditure (prudential indicators)
 - A review of the Council's investment portfolio for 2014/15
 - A review of the Council's borrowing strategy for 2014/15
 - A review of compliance with Treasury and Prudential Limits for 2014/15
- 4.3 The Mid-Year Report at Annex A contains revised Prudential and Treasury Management Indicators for consideration prior to Council approval. An additional indicator has been included for PI-3 to show the Ratio of Financing Costs to Net Revenue including the PPP financing and repayment costs.
- 4.4 Section 5 of the Mid-Year Report also includes reference to an intention to use the Swedish bank Svenska Handelsbanken for short term deposits. This institution meets the Creditworthiness Policy set out in the 2014/15 Treasury Management Strategy in full and is currently graded for investing up to 1 year with a similar long term credit rating as HSBC Bank plc. In addition Sweden still has a AAA sovereign debt rating from all three rating agencies which is higher than the UK. The proposal is to open a call account with Svenska Handelsbanken which means that the Council has instant access to the money deposited. No changes are required to the Treasury policy or strategy documents as a result of using Svenska Handelsbanken.

- 4.5 The Mid-Year Report notes the creation of the Treasury Management Earmarked Balance which is to be used to smooth the impact of future interest rate changes. This is set out in Section 6.3 of the report.
- 4.6 The Mid-Year Report indicates that the Council's Treasury Management activities are being managed and monitored within the agreed boundaries and indicators approved by the Council.

5 IMPLICATIONS

5.1 Financial

There are no further financial implications relating to this report. The outcomes from the Council's treasury management activities are explained in detail within **Appendix 1**.

5.2 Risk and Mitigations

This report is an account of the outcomes delivered at the six month stage from the tightly risk controlled work that the Council's Treasury staff. The report is an important element of the overall risk management environment but has no specific risk implications of its own.

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 Monitoring Officer, the Chief Legal Officer, the Service Director Strategy and Policy, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council are currently being consulted and any comments received on the report will be reported at the Audit Committee.
- 6.2 The Audit Committee considered the Mid-Year report at their meeting on the 10 November 2014.

Approved by

**David Robertson
CHIEF FINANCIAL OFFICER**

Signature

Author(s)

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Background Papers:**Previous Minute Reference:**

Scottish Borders Council, 6 February 2014

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