
TREASURY MANAGEMENT STRATEGY 2018/19

Report by Chief Financial Officer

SCOTTISH BORDERS COUNCIL

20 February 2018

1 PURPOSE AND SUMMARY

- 1.1 This report proposes the Treasury Management Strategy 2018/19 for Council approval.**
- 1.2 The Treasury Management Strategy is the framework which ensures that the Council operates within prudent, affordable financial limits in compliance with the CIPFA Code.
- 1.3 The Strategy for 2018/19 is included in this report at Appendix 1 and reflects the impact of the Administration's Financial Plans for 2018/19 onwards on the prudential and treasury indicators for the Council.

2 RECOMMENDATIONS

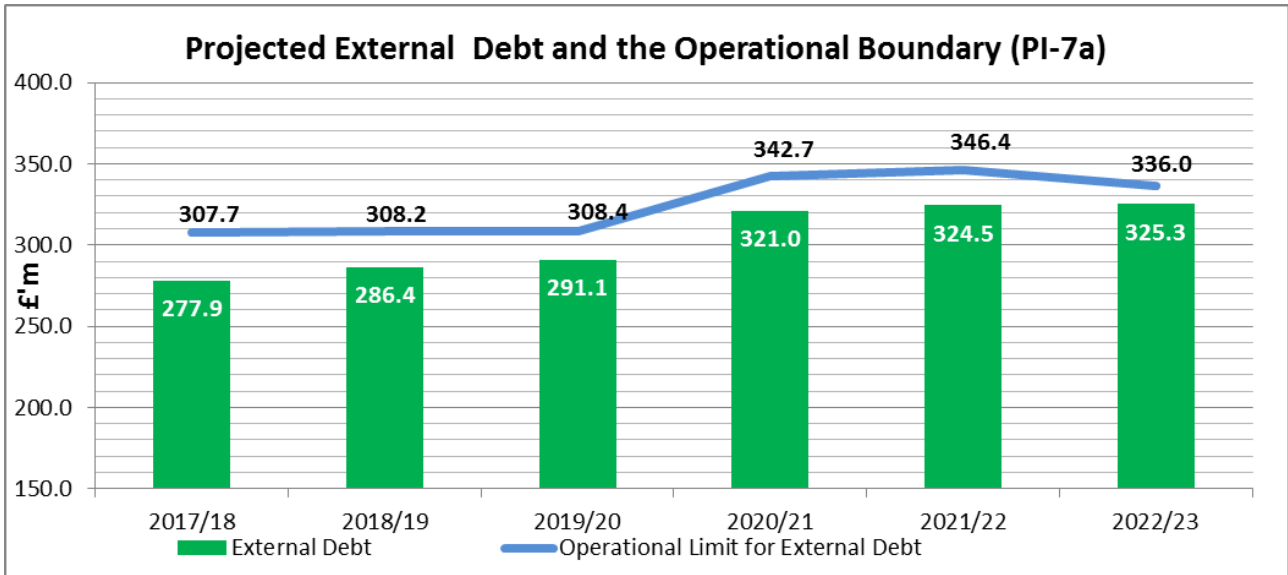
- 2.1 It is recommended that the Council:**
 - (a) Approves the Treasury Management Strategy 2018/19 as set out in Appendix 1.**
 - (b) Notes that the draft Treasury Management Strategy was considered by Audit & Scrutiny Committee on 15 January 2018.**
 - (c) Reviews its capital expenditure plans going forward to ensure they remain realistic, affordable and sustainable; and,**
 - (d) Ensures that the revenue consequences of all capital projects be fully reviewed in all investment decisions.**

3 BACKGROUND

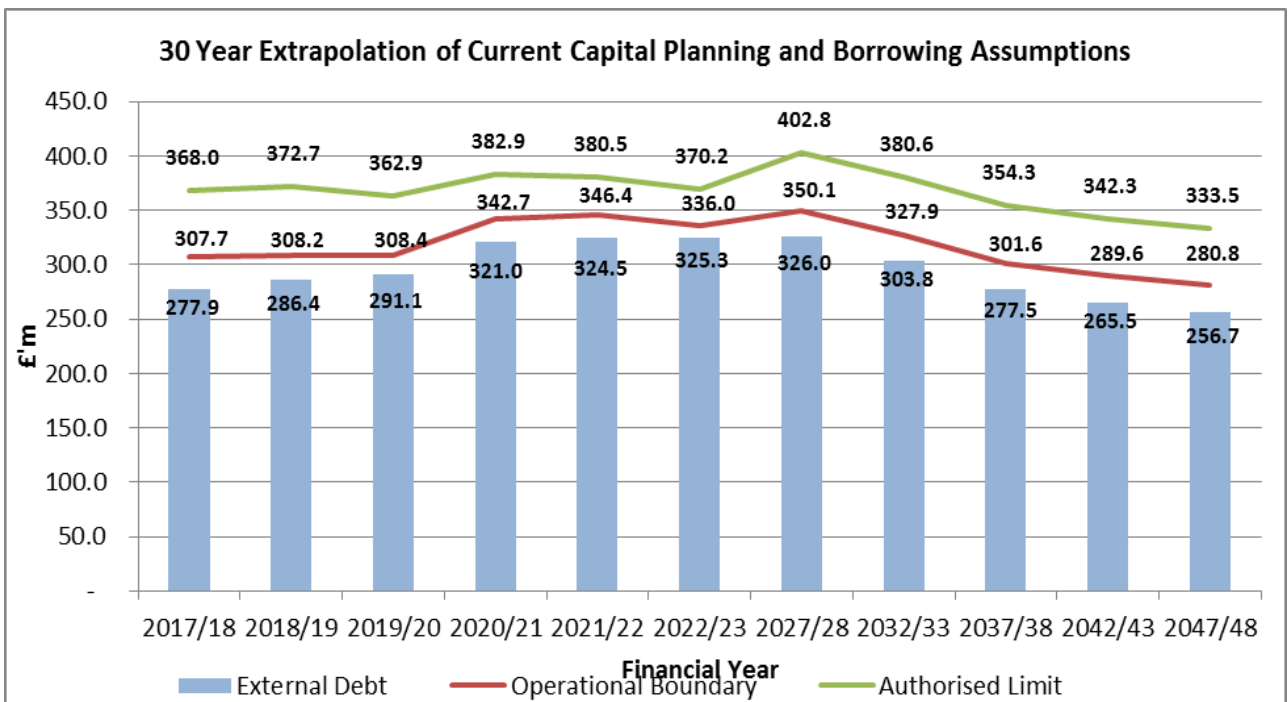
- 3.1 The Council is required to present a Treasury Management strategy for approval at the same time as the Council's Financial Plan and Financial Strategy is approved.
- 3.2 The Audit and Scrutiny Committee is responsible for scrutinising the Treasury Management Strategy in line with recommended practice set out in the CIPFA (Chartered Institute of Public Finance and Accountancy) Code (i.e. Treasury Management in the Public Services: Code of Practice and Cross-sectorial Guidance Notes). The Committee reviewed the Strategy set out in Appendix 1 at the meeting on 15 January 2018.

4 TREASURY MANAGEMENT STRATEGY 2018/19

- 4.1 Appendix 1 contains the draft Treasury Management Strategy for 2018/19 for consideration by the Council.
- 4.2 This is based on the Administration's Capital Financial Plans for 2018/19 to 2027/28.
- 4.3 Appendix 1, Annex A contains a summary of the proposed indicators within the strategy. The significant changes from the 2017/18 strategy are:
 - (a) Increase in the Capital Financing Requirement (CFR) for 2018/19 due to the inclusion of the new Kelso High School in the Council's Fixed Assets in 2017/18. Also impacting on the CFR movement is the anticipated capital borrowing requirements associated with the re-phasing of projects from 2017/18 into 2018/19 and future years as well as movements in the scheduled debt amortisation projections for the year.
 - (b) Increase in the Authorised Limit in 2018/19 associated with debt following the completion of Kelso High School and the resulting Long Term liability and the increase in external borrowing resulting from the capital plan.
- 4.4 The table below shows the "Operational Boundary" against the anticipated levels of external borrowing. The external borrowing levels should not normally exceed the operational boundary limit, defined by the Prudential Framework. The gap between these two elements as seen in the table, consistently shows that the Council maintains an "under-borrowed" position for current and next 5 years. The step change in 2020-21 represents the planned Jedburgh Intergenerational Campus becoming a Council asset, along with the associated long term liability.



4.5 Council Officers are currently undertaking a longer term assessment of the cost of capital consistent with the proposed development of a long term capital strategy in 2019/20. This is in line with the updated Prudential Code for Capital Finance issued in December 2017. The chart below details projected external borrowing for the next 5 financial years and then at each 5 year interval up to 2047/48. Alongside this, the Operational Boundary and Authorised Limit are also shown. The chart is designed to inform long term scenario planning in line with best practice.



5 IMPLICATIONS

5.1 Financial

There are no additional financial implications in relation to this report, its content specifically relating to the financing and investment activities of the Council.

5.2 Risk and Mitigations

The key purpose of presenting the Strategy to Audit and Scrutiny Committee scrutiny is to ensure that the members are satisfied with this element of the risk management framework for the treasury management function within the Council. The risks to delivering the Strategy have been identified within the Strategy itself at Appendix 1. Controls and mitigating actions have been implemented, monitored and reviewed in line with the Council's Risk Management Policy. The Strategy provides the parameters and guidance for the investment and borrowing decisions for the Council.

5.3 Equalities

It is anticipated that there are no adverse equality implications 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 issues or consequences arising from this report which would affect the Council's carbon management.

5.6 Rural Proofing

There are no direct issues or consequences arising from this report which would affect the Council's rural proofing policy. The treasury strategy ensures the capital programme of the council, which in turn creates and enhances local infrastructure including schools, roads, bridges and social care assets. This activity provides community benefits and opportunities for local suppliers benefitting the local economy wherever possible.

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 Chief Officer Audit and Risk, the Service Director HR and the Clerk to the Council have been consulted and any comments received have been incorporated into the final report.

Approved by

David Robertson
Chief Financial Officer

Signature

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Background Papers:

Previous Minute Reference: Audit & Scrutiny Committee, 15 January 2018

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