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## **ANNUAL TREASURY MANAGEMENT REPORT 2017/18**

**Report by Chief Financial Officer**  
**SCOTTISH BORDERS COUNCIL**

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**25 September 2018**

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### **1 PURPOSE AND SUMMARY**

- 1.1 This report presents the annual treasury management activities undertaken during the 2017/18 financial year.**
- 1.2 The CIPFA Code of Practice on Treasury Management in the Public Services (the Code) requires an annual report on treasury management to be submitted to Council following the end of each financial year. This report highlights the Council's treasury activity undertaken in the year ended 31 March 2018 and the performance of the Treasury function.
- 1.3 Appendix 1 is the annual report of treasury management activities for 2017/18 and contains an analysis of performance against targets set in relation to Prudential and Treasury Management Indicators. The performance comparisons reported are based on the revised indicators agreed as part of the mid-year report approved on 21 December 2017.
- 1.4 The Appendix shows the Council's borrowing requirement to fund the capital investment undertaken during 2017/18, how much the Council actually borrowed against the sums budgeted and the level of external debt within approved limits.
- 1.5 During the year the Council has again, where possible, deferred borrowing using surplus cash rather than undertaking new borrowing. However, the Council did undertake short term borrowing for cash flow purposes and additional long term borrowing for capital purposes during the year, amounting to £5m and £10m respectively.
- 1.6 Treasury management activity for the year has been undertaken in compliance with approved policy and the Code. The Council remains under-borrowed against its Capital Financing Requirement (CFR) at 31 March 2018.

### **2 STATUS OF REPORT**

- 2.1 This report is being published on the Council agenda prior to its presentation to the Audit and Scrutiny Committee on 24 September 2018. Comments received from this Committee will be highlighted to Council at this meeting.

### **3 RECOMMENDATIONS**

- 3.1 It is recommended that the members note that treasury management activity in the year to 31 March 2018 was carried out in compliance with the approved Treasury Management Strategy and Policy as detailed in this report and in Appendix 1.**

## 4 BACKGROUND

- 4.1 The Council approved the Treasury Management Strategy (the Strategy) for 2017/18 at the Council meeting on 9 February 2017. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management in the Public Services (the Code) and CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 4.2 The Council received a mid-year report on 21 December 2017 and approved the revised Prudential and Treasury Management Indicators for 2017/18 following the updating of assumptions, in particular capital expenditure estimates.
- 4.3 As set out in the Strategy, the Audit and Scrutiny Committee has a role to scrutinise the Annual and Mid-Year Reports before submission to Council for final approval.

## 5 ANNUAL TREASURY MANAGEMENT REPORT TO 31 MARCH 2018

- 5.1 The Annual Treasury Management Report for 2017/18 is shown in Appendix 1.
- 5.2 Appendix 1 shows the Council's borrowing requirement to fund capital investment undertaken during 2017/18, how much the Council actually borrowed against the sums budgeted and the level of external debt carried on the Council's balance sheet within approved limits.
- 5.3 In addition, Appendix 1 contains an analysis of the performance against the targets set in relation to Prudential and Treasury Management Indicators. All of the 2017/18 target indicators reported are based on the revised indicators agreed as part of the mid-year report on 21 December 2017.
- 5.4 The key Prudential Indicators (PI) and Treasury Management Indicators (TI), detailing the impact of capital expenditure activities during the year to 31 March 2018, with comparators, are as follows:

	<b>2017/18 Actual £m</b>	<b>2017/18 Estimate £m</b>	<b>Variance £m</b>
<b>Actual Capital Expenditure (PI-1)</b>	<b>36.0</b>	<b>56.7</b>	<b>(20.7)</b>
Total Capital Financing Requirement (CFR) (PI-2)**	<b>306.9</b>	<b>301.2</b>	<b>5.7</b>
<b>(Under)/Over Gross Borrowing against the CFR (PI-6) ***</b>	<b>(47.6)</b>	<b>(25.1)</b>	<b>(22.5)</b>

*\*Revised estimate, approved by Council 21 December 2017 as part of the mid-year report*

*\*\* The CFR for this calculation is based on expenditure to 31 March 2018 only*

*\*\*\* The CFR for this calculation includes the current year and projected movement for the next two subsequent years.*

(a) **PI-2 Total Capital Financing Requirement**

The year-end total CFR varied only marginally from that projected in the mid-year report.

(b) **PI-6 (Under)/Over Gross Borrowing against the CFR**

The reason for the decrease in the level of under-borrowing,

compared to that projected is due to the actual level of capital expenditure for 2017/18 being less than the projected value in the mid-year report.

(c) **Investments**

Investments held on 31 March 2018 amounted to £7.6m. This increased slightly from £6.1m at 31 March 2017 due to temporary borrowing undertaken at the year-end to ensure cash was available to pay liabilities due but not physically paid until April.

- 5.5 Treasury management activity for the year has been undertaken in compliance with the approved policy and the Code and the Council remains under-borrowed against its Capital Financing Requirement (CFR) at 31 March 2018

## **6 IMPLICATIONS**

### **6.1 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.

### **6.2 Risk and Mitigations**

This report is an account of the outcomes arising from the tightly controlled risk management work that the Council's Treasury staff have carried out. The report is an important element of the overall risk management environment but has no specific risk implications of its own.

### **6.3 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.

### **6.4 Acting Sustainably**

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

### **6.5 Carbon Management**

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

### **6.6 Rural Proofing**

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

### **6.7 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.

## **7 CONSULTATION**

- 7.1 The Service Director Regulatory Services as Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council are being consulted and their comments will be made available at the meeting.

## Approved by

**David Robertson**  
**Chief Financial Officer**

**Signature .....**

### Author(s)

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### Background Papers:

**Previous Minute Reference:** Scottish Borders Council 09 February 2017

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. The Pension and Investment Team can also give information on other language translations as well as providing additional copies.

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