
ANNUAL TREASURY MANAGEMENT REPORT 2015/16

Report by Chief Financial Officer

AUDIT & RISK COMMITTEE

26 September 2016

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to present the annual report of treasury management activities undertaken during the 2015/16 financial year to the Audit & Risk Committee for review as part of their scrutiny role in relation to treasury management activities in the Council.**
- 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 in the year ended 31 March 2016 and the performance of the Treasury function.
- 1.3 Appendix 1 is the annual report of treasury management activities for 2015/16 and contains an analysis of performance against targets set in relation to Prudential and Treasury Management Indicators. All of the performance comparisons reported upon are based on the revised indicators agreed as part of the mid-year report approved on 17 December 2015.
- 1.4 The Appendix shows the Council's borrowing requirement to fund capital investment undertaken during 2015/16, 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.
- 1.5 During the year the Council has, where possible, deferred borrowing using surplus cash rather than undertaking new borrowing. The Council therefore did not undertake additional long term borrowing during the year.
- 1.6 Treasury management activity for the year has been undertaken in compliance with approved policy and the Code and the Council remains under-borrowed against its Capital Financing Requirement (CFR) at 31 March 2016.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Risk Committee:**

- (a) notes that treasury management activity in the year to 31 March 2016 was carried out in compliance with the approved Treasury Management Strategy and Policy; and**
- (b) agrees to the presentation of the Annual Treasury Management Report 2015/16 (Appendix 1) to Council.**

3 BACKGROUND

- 3.1 The Council approved the Treasury Management Strategy (the Strategy) 2015/16 at the Council meeting on 12 February 2015. 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).
- 3.2 The Council received a mid-year report on 17 December 2015 and approved the revised Prudential and Treasury Management Indicators for 2015/16 following the updating of assumptions, in particular capital expenditure estimates.
- 3.3 As set out in the Strategies, the Audit and Risk Committee has a role to scrutinise the Annual and Mid-Year Reports before submission to Council for final approval.

4 ANNUAL TREASURY MANAGEMENT REPORT TO 31 MARCH 2016

- 4.1 The Annual Treasury Management Report for 2015/16 is shown in Appendix 1.
- 4.2 Appendix 1 shows the Council's borrowing requirement to fund capital investment undertaken during 2015/16, 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.
- 4.3 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 2015/16 target indicators reported upon are based on the revised indicators agreed as part of the mid-year report on 17 December 2015.
- 4.4 The key Prudential Indicators (PI) and Treasury Management Indicators (TI), detailing the impact of capital expenditure activities during the year to 31 March 2016, with comparators, are as follows:

	2015/16 Actual £m	2015/16 Estimate £m	Variance £m
Actual Capital Expenditure (PI-1)	45.0	50.7	(5.7)
Total Capital Financing Requirement (CFR) (PI-2)**	258.0	266.6	(8.6)
(Under)/Over Gross Borrowing Magainst the CFR (PI-6) ***	(56.6)	(57.2)	(0.6)
Investments (all under 1 year)	19.4	16.6	(2.8)

*Revised estimate, approved by Council 17 December 2015 as part of the mid-year report

** The CFR for this calculation is based on expenditure to 31 March 2016 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 reason for the decrease in the level of under-borrowing, compared to that projected, is that the Council had sufficient positive cash-flow to fund capital expenditure without borrowing. In addition, the actual level of capital expenditure for 2015/16 was less than the

projected value in the mid-year report. The decision not to borrow at this point was driven by the following considerations:

- (i) There remains a significant differential between borrowing and investment rates, which results in a higher percentage cost of carrying borrowed financing that is sitting as surplus cashflow.
- (ii) During 2015/16 the Council retained sufficient cash flow to meet its outgoing capital requirements.
- (iii) The number of counterparties meeting the Council's investment strategy criteria remains low.
- (iv) The extension of the forecasts on low interest rates means that the long term interest rate position was not expected to change significantly in the next 12 months.

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

The under-borrowing position decreased due to the reasons set out in para 4.3(b) above.

(c) **Investments**

The increase in the levels of investments was related to better than anticipated cashflow.

- 4.5 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 2016

5 IMPLICATIONS

5.1 Financial

There are no further financial implications relating to this report. The outcomes, including financial, 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 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.

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 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 have been consulted and their comments have been incorporated into the final report, or 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 17 December 2015

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