
ANNUAL TREASURY MANAGEMENT REPORT 2016/17

Report by Chief Financial Officer

AUDIT & SCRUTINY COMMITTEE

25 September 2017

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to present the annual report of treasury management activities undertaken during the 2016/17 financial year to the Audit & Scrutiny 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 2017 and the performance of the Treasury function.
- 1.3 Appendix 1 is the annual report of treasury management activities for 2016/17 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 15 December 2016.
- 1.4 The Appendix shows the Council's borrowing requirement to fund the capital investment undertaken during 2016/17, 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. However, the Council did undertake short term borrowing for cash flow purposes and long term borrowing for capital purposes during the year, amounting to £9m and £12m respectively.
- 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 2017.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Scrutiny Committee:**
 - (a) notes that treasury management activity in the year to 31 March 2017 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 2016/17 (Appendix 1) to Council.

3 BACKGROUND

- 3.1 The Council approved the Treasury Management Strategy (the Strategy) 2016/17 at the Council meeting on 11 February 2016. 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 15 December 2016 and approved the revised Prudential and Treasury Management Indicators for 2016/17 following the updating of assumptions, in particular capital expenditure estimates.
- 3.3 As set out in the Strategies, the Audit and Scrutiny 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 2017

- 4.1 The Annual Treasury Management Report for 2016/17 is shown in Appendix 1.
- 4.2 Appendix 1 shows the Council's borrowing requirement to fund capital investment undertaken during 2016/17, 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 2016/17 target indicators reported upon are based on the revised indicators agreed as part of the mid-year report on 15 December 2016.
- 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 2017, with comparators, are as follows:

	2016/17 Actual £m	2016/17 Estimate £m	Variance £m
Actual Capital Expenditure (PI-1)	51.8	67.5	(15.7)
Total Capital Financing Requirement (CFR) (PI-2)**	287.1	285.9	1.2
(Under)/Over Gross Borrowing against the CFR (PI-6) ***	(59.4)	(40.2)	19.2

**Revised estimate, approved by Council 15 December 2016 as part of the mid-year report*

*** The CFR for this calculation is based on expenditure to 31 March 2017 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 2016/17 being less than the projected value in the mid-year report.

(c) **Investments**

Investments held on 31 March 2017 amounted to £6.1m. This fell from £19.5m at 31 March 2016 in line with the strategy of utilising cash balances rather than undertaking additional borrowing.

- 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 2017

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)

Audit & Scrutiny Committee, 25 September 2017

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Background Papers:

Previous Minute Reference: Scottish Borders Council 15 December 2016

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