
TREASURY MANAGEMENT STRATEGY 2020/21

Report by Executive Director, Finance & Regulatory

SCOTTISH BORDERS COUNCIL

26 February 2020

1 PURPOSE AND SUMMARY

- 1.1 This report presents the Treasury Management Strategy 2020/21 for Council approval.**
- 1.2 The Treasury Management Strategy is the framework that ensures the Council operates within prudent, affordable limits in compliance with the CIPFA Code.
- 1.3 The Strategy for 2020/21 is included in this report at Appendix 1 and reflects the impact of the Administration's Financial Plans for 2020/21 onwards on the prudential and treasury indicators for the Council.

2 RECOMMENDATIONS

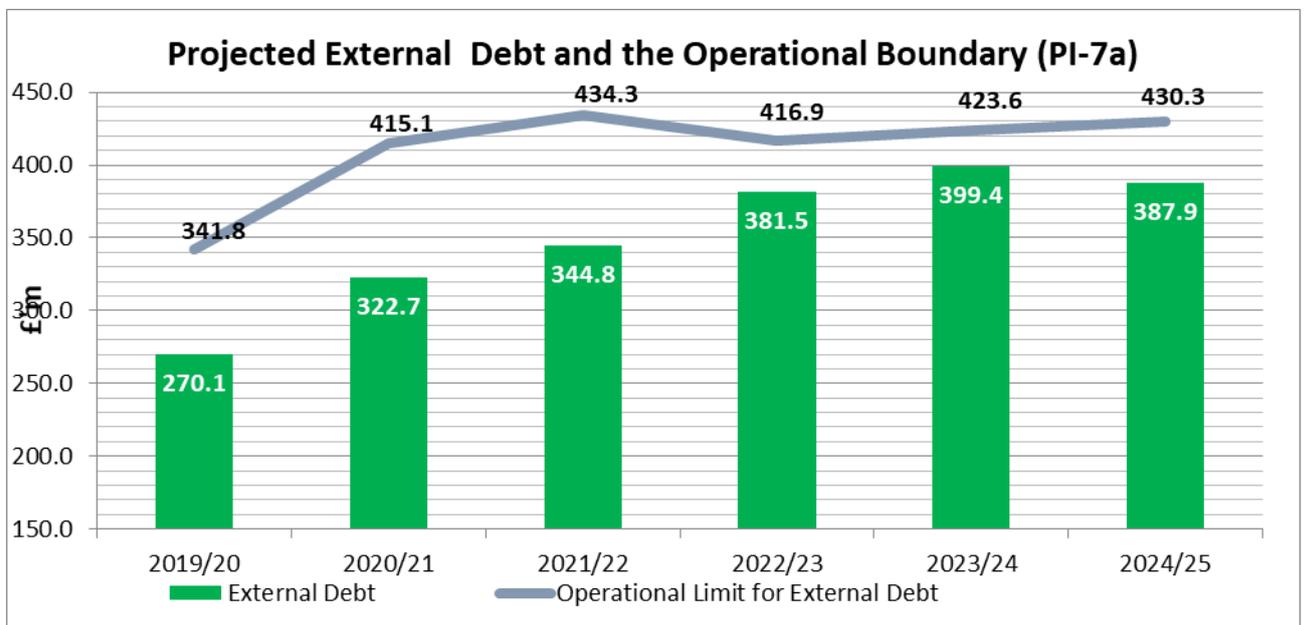
- 2.1 **It is recommended that the Council:**
 - (a) Approves the Treasury Management Strategy 2020/21 as set out in Appendix 1.**
 - (b) Notes that the draft Treasury Management Strategy was considered by Audit & Scrutiny Committee on 10 February 2020;**
 - (c) Reviews its capital expenditure plans going forward to ensure they remain realistic, affordable and sustainable; and**
 - (d) Instructs officers to ensure that the revenue consequences of all capital projects be fully considered as part of the revenue financial planning process and be reflected in annual budgets.**

4 BACKGROUND

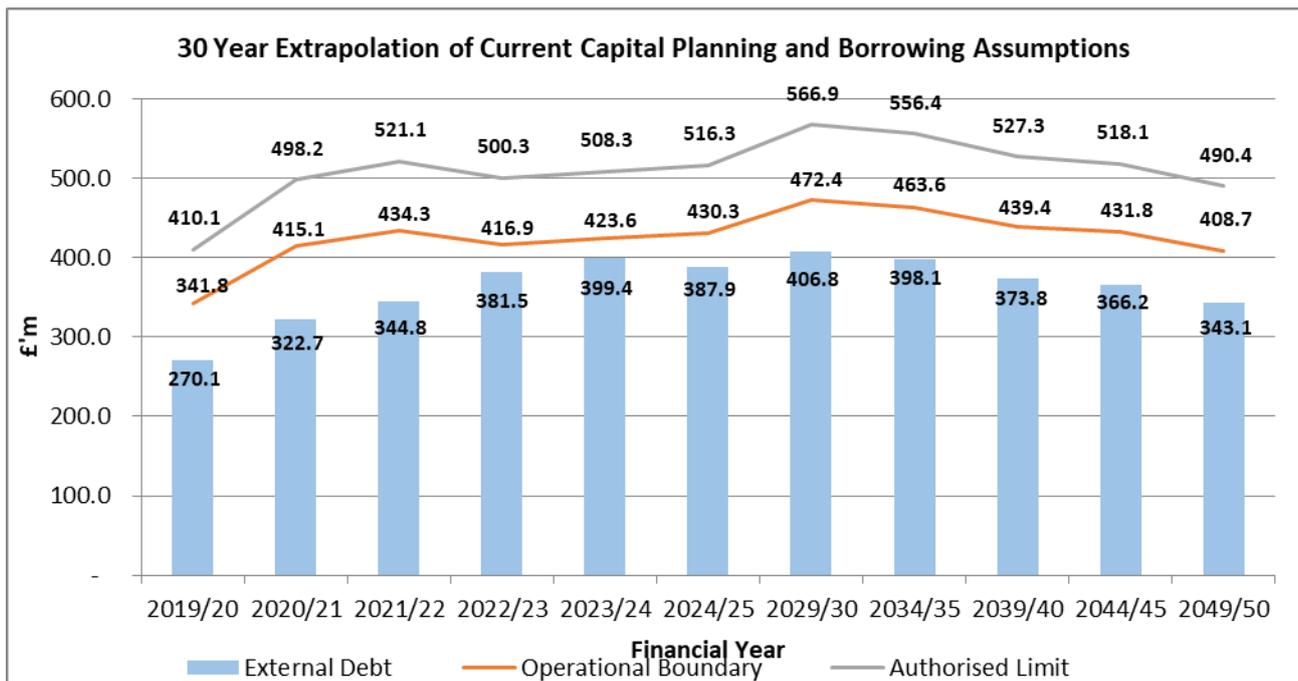
- 4.1 The Council is required to present a Treasury Management strategy for approval at the same time the Council's Financial Plan and Financial Strategy is approved.
- 4.2 The Audit and Scrutiny Committee is responsible for scrutinising the Treasury Management Strategy in line with recommended practice 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).
- 4.3 The Audit and Scrutiny Committee reviewed the draft strategy at its meeting on 10 February 2020. The draft strategy has now been further amended to reflect the Administration's final budget proposals. The revised documents were issued to the Audit and Scrutiny Committee along with a briefing note explaining the changes on the 18 February 2020.

5 TREASURY MANAGEMENT STRATEGY 2020/21

- 5.1 Appendix 1 contains the draft Treasury Management Strategy for 2020/2
- 5.2 This is based on the Administration's Capital Financial Plans for 2020/21 to 2029/30.
- 5.3 Appendix 1, Annex A contains a summary of the proposed indicators within the strategy. The significant changes from the 2019/20 strategy are:
 - (a) Increase in the Capital Financing Requirement (CFR) during the budget period due to the Councils understanding of the revised financing arrangements that will apply to the development of a Galashiels Academy and a new Hawick High school. The CFR also includes provision for the reconfiguration and upgrade of Peebles High School and additional investment required in the care estate. Also impacting on the CFR movement is the anticipated capital borrowing implications associated with the re-phasing of projects and block programmes within the 10 year capital plan and timing movements from 2019/20 into 2020/21 and future years, as well as movements in the scheduled debt amortisation projections for the year.
 - (b) Increase in the Authorised Limit from 2020/21 onwards is associated with the increase in external borrowing resulting from the capital plan.
- 5.4 The table over shows the "Operational Boundary" against the anticipated levels of external borrowing. The Council's external borrowing should not normally exceed the operational boundary, defined by the Prudential Framework. The gap between these two elements as seen in the graph below, consistently shows that the Council maintains an "under-borrowed" position in the period to 2024/25. The gap however is reducing over the years due to the ambitious capital program and the profile of projected borrowing.



5.5 The chart below details projected external borrowing for the next 5 financial years and then at 5 year intervals up to 2049/50. 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.



6 IMPLICATIONS

6.1 Financial

It should be noted that the expenditure plans associated with this strategy assumes that Peebles, Galashiels and Hawick High schools, along with additional investment in the Care Estate will be delivered by financial year 2026/27 funded by additional revenue budget of £1.2m per annum to support loan charges.

6.2 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.

6.3 Equalities

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

6.6 Rural Proofing

There are no direct issues or consequences arising from this report which would affect the Council's rural proofing policy.

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 Chief Legal Officer (Monitoring Officer), the Chief Officer Audit and Risk, the Service Director HR, Communications and the Clerk to the Council are currently being consulted and any comments received will be reported at the meeting.

Approved by

David Robertson

Executive Director, Finance & Regulatory

Signature

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Background Papers:

Previous Minute Reference: not applicable

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