
TREASURY MANAGEMENT STRATEGY 2021/22 (UPDATED)

Report by Executive Director, Finance & Regulatory

SCOTTISH BORDERS COUNCIL

19 March 2021

1 PURPOSE AND SUMMARY

- 1.1 This report proposes the Treasury Management Strategy 2021/22 for Council approval.**
- 1.2 The Treasury Management Strategy is the framework which ensures that the Council operates within prudent, affordable limits in compliance with the CIPFA Code.
- 1.3 The Strategy for 2021/22 is included in this report at Appendix 1 and reflects the impact of the Administration's Financial Plans for 2021/22 onwards on the prudential and treasury indicators for the Council.
- 1.4 Figures for the calculation of the Operational Boundary and the Authorised Limit for external debt in 2024/25 and 25/26 have been revised following the identification of inconsistencies by the Chair of the Audit Committee following publication of the Council Agenda.

2 RECOMMENDATIONS

- 2.1 **It is recommended that the Council:**
 - (a) Approves the Treasury Management Strategy 2021/22 as set out in Appendix 1;**
 - (b) Notes that the draft Treasury Management Strategy was considered by Audit & Scrutiny Committee on 8 March 2021, where it noted the narrowing of the gap between Capital Financing Requirements and Authorised Limit for External Debt and recommends Council give full consideration to this;**
 - (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.**

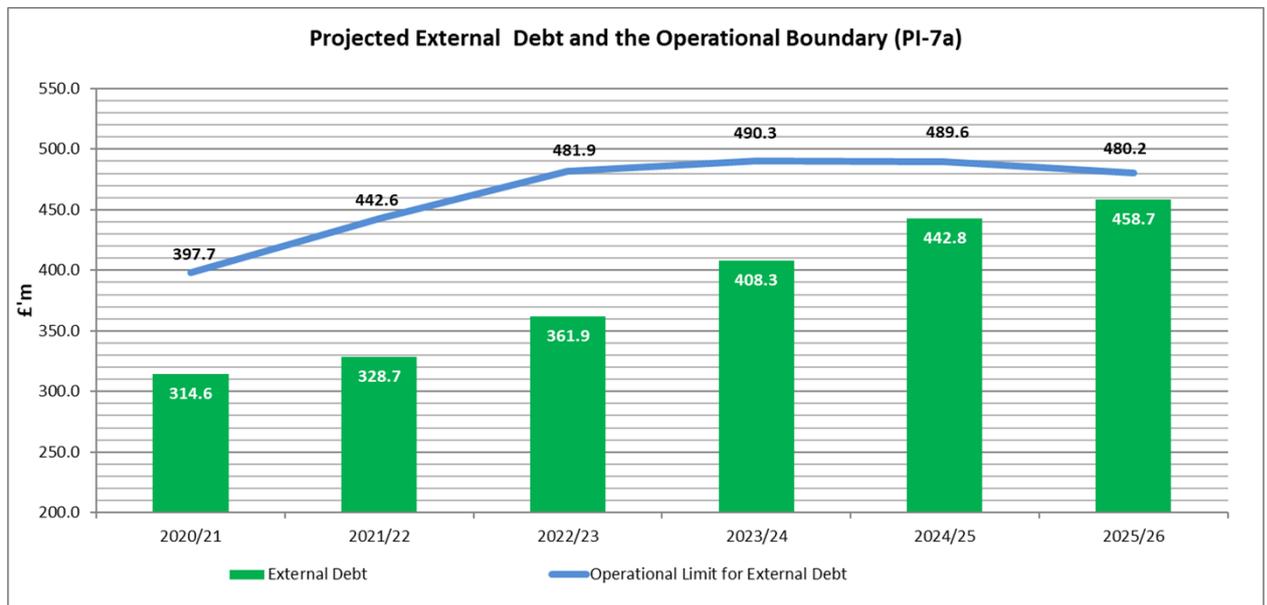
3 BACKGROUND

- 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 a draft Strategy at the meeting on 8 March 2021. Figures for the calculation of the Operational Boundary and the Authorised Limit for external debt in 2024/25 and 25/26 have been revised following the identification of inconsistencies in the papers presented to Audit Committee by the Chair of the Audit Committee. The required changes were identified following publication of the Council Agenda and this paper now presents the corrected position.

4 TREASURY MANAGEMENT STRATEGY 2021/22

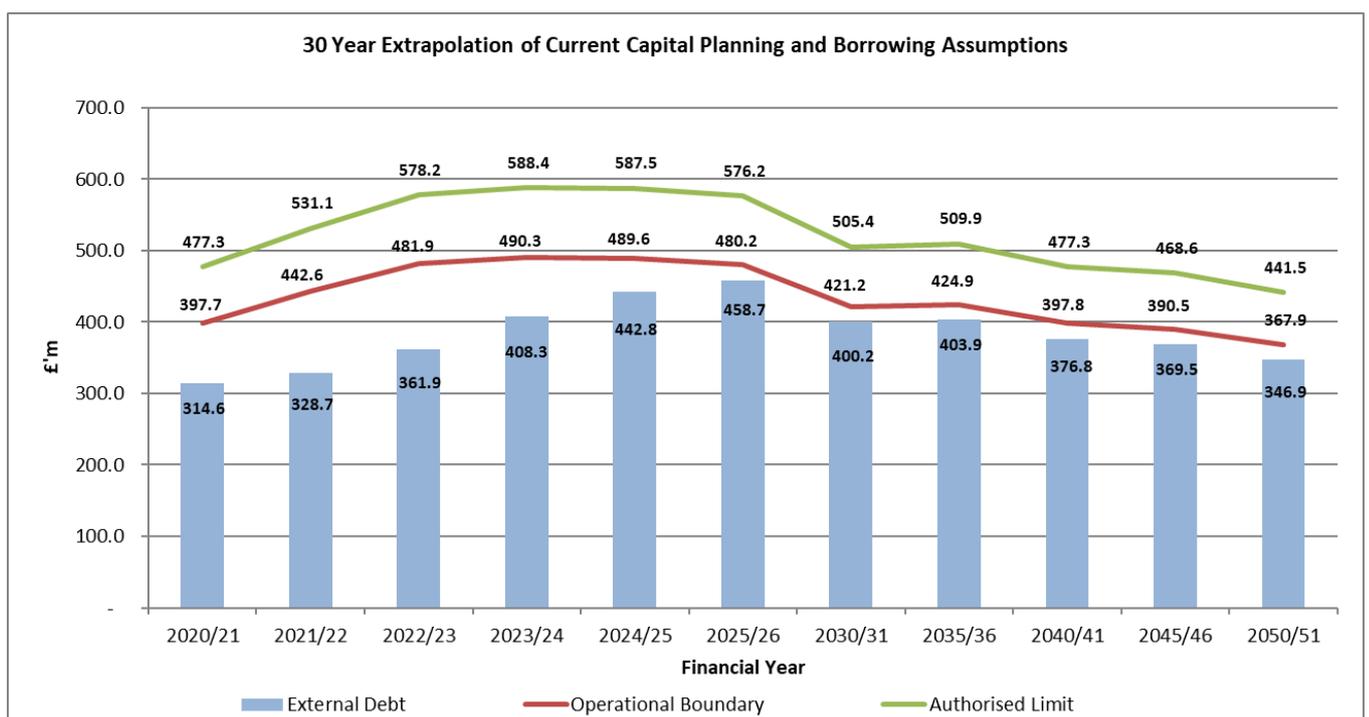
- 4.1 Appendix 1 contains the draft Treasury Management Strategy for 2021/22 for consideration by the Council.
- 4.2 This is based on the Administration's Capital Financial Plans for 2021/22 to 2030/31.
- 4.3 Appendix 1, Annex A contains a summary of the proposed indicators within the strategy. The significant changes from the 2020/21 strategy are:
 - (a) Decrease in the Capital Financing Requirement (CFR) in the first 2 years due to the re-phasing of 2 primary and 3 secondary schools. Also impacting on the CFR movement is the anticipated capital borrowing requirements associated with the re-phasing of projects from 2020/21 into future years as well as movements in the scheduled debt amortisation projections for the year.
 - (b) Increase in the Authorised Limit from 2021/22 onwards is associated with 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 Council’s external borrowing 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 gap however is reducing over the years due to the ambitious capital program and the profile of the notional loan charges.



4.5 The chart below details projected external borrowing for the next 5 financial years and then at 5 year intervals up to 2050/51. 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.

It should be noted that from 2031-32, the first year outwith the current 10 year Capital Plan, a 10 year average capital expenditure, and annual borrowing requirement of £10.5m, has been assumed.



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 Integrated Impact Assessment

There is no impact or relevance to Equality Duty or the Fairer Scotland Duty for this report. This is a routine financial monitoring report which forms part of the governance of the Treasury function within the Council. Nevertheless, a light touch assessment has been conducted and this will be published on SBC's Equality and Diversity Pages of the website as in doing so, signifies that equality, diversity and socio-economic factors have duly been considered when preparing 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.

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 Chief Legal Officer (including as Monitoring Officer), the Chief Officer Audit and Risk, Service Director HR, Communications and the Clerk to the Council have been consulted and any comments received have been incorporated into the final report.

Approved by

David Robertson
Executive Director, Finance & Regulatory

Signature

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Background Papers:

Previous Minute Reference: not applicable

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