
TREASURY MANAGEMENT STRATEGY 2022/23

Report by Director, Finance & Corporate Governance AUDIT AND SCRUTINY COMMITTEE

14 February 2022

1 PURPOSE AND SUMMARY

- 1.1 This report is to enable the Audit and Scrutiny Committee to undertake their scrutiny role in relation to the Treasury Management activities of the Council. It presents the proposed Treasury Management Strategy for 2022/23 for consideration prior to 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 2022/23 to be submitted to Council on 22 February 2022 is included in this report at Appendix 1 and reflects the impact of the Administration's draft Financial Plans for 2022/23 onwards on the prudential and treasury indicators for the Council.

2 STATUS OF REPORT

- 2.1 Allowing the maximum time for finalisation of the proposals in the draft Financial Capital Plans for 2022/23 to 2031/32 has impacted on the drafting of the treasury strategy. The report is currently out for consultation and comments will be reported at the meeting.

3 RECOMMENDATIONS

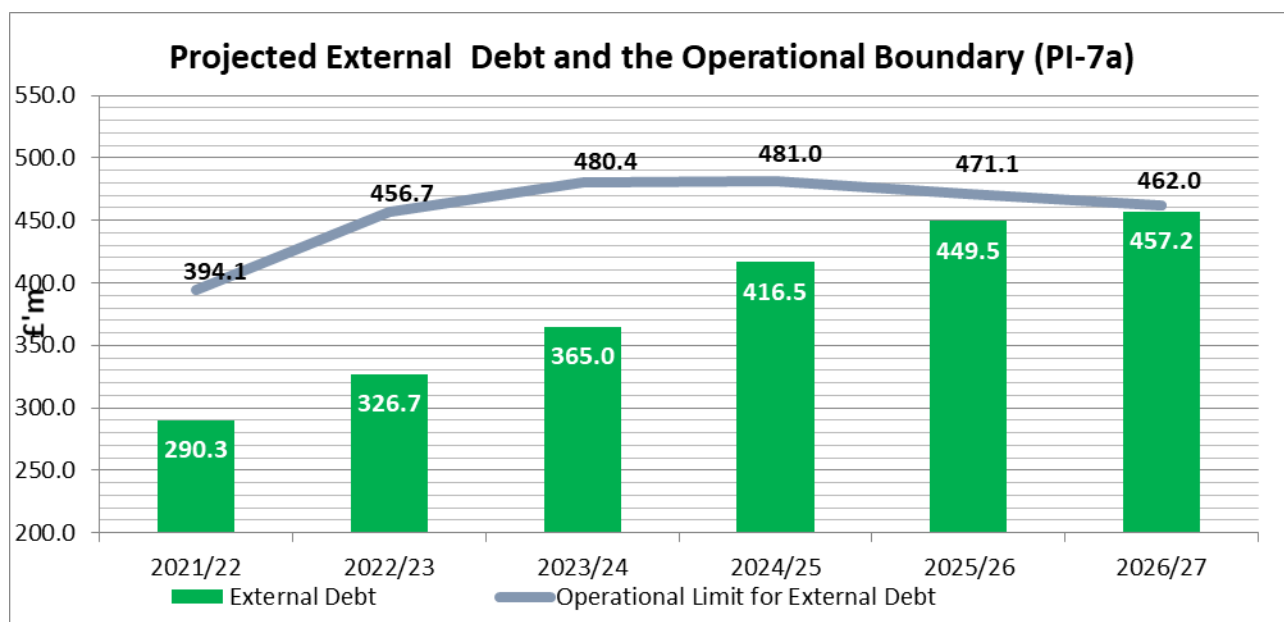
- 3.1 It is recommended that the Committee considers whether to make any comments or recommendations on the draft Treasury Management Strategy for 2022/23 prior to presentation to the Council for approval.**

4 BACKGROUND

- 4.1 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).

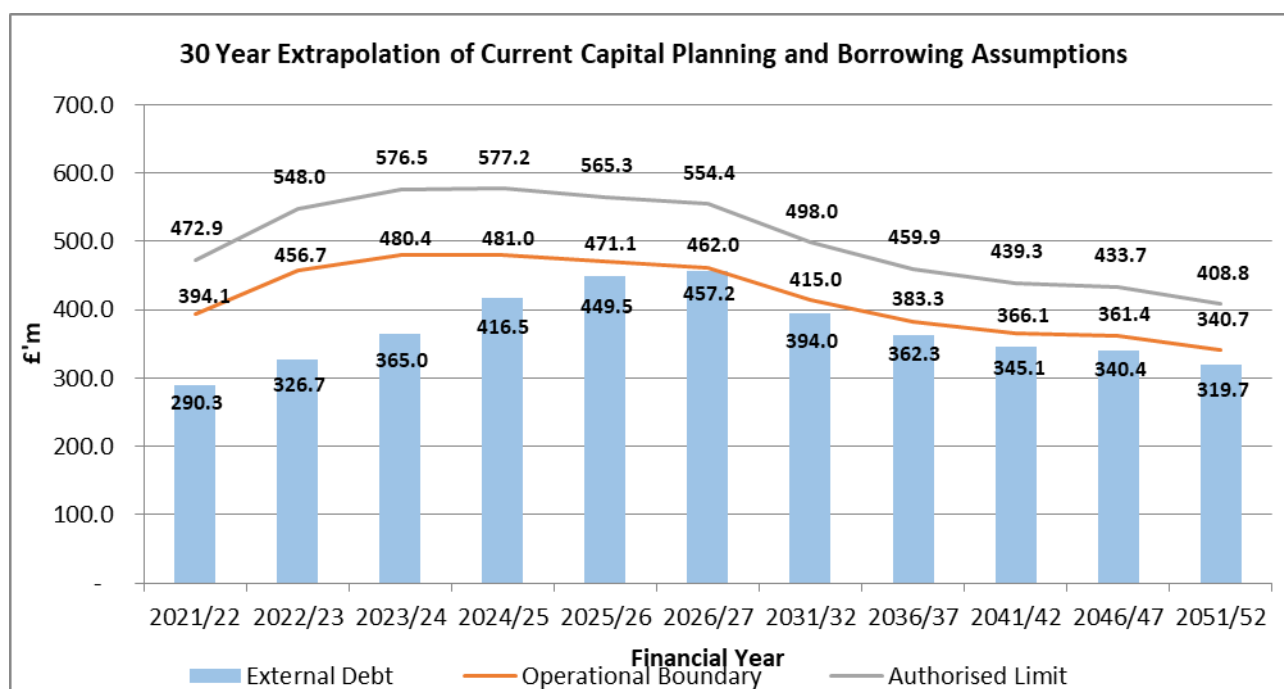
5 TREASURY MANAGEMENT STRATEGY 2022/23

- 5.1 Appendix 1 contains the draft Treasury Management Strategy for 2022/23 for consideration by the Audit and Scrutiny Committee.
- 5.2 This is based on the Administration's current draft Financial Capital Plans for 2022/23 to 2031/32, yet to be published and as such is subject to change as these plans will not be presented to Council for approval until 22 February 2022. The final version of this report which will be reported to Council will include a 30 year loans charges projection based on assumed future capital expenditure.
- 5.3 Appendix 1, Annex A contains a summary of the proposed indicators within the strategy. The significant changes from the 2021/22 strategy are:
- (a) Decrease in the Capital Financing Requirement (CFR) in the first two years with increases in later years due to the re-phasing of 1 primary school and 2 residential care homes. Also impacting on the CFR movement is the anticipated capital borrowing requirements associated with the re-phasing of projects from 2021/22 into future years as well as movements in the scheduled debt amortisation projections for the year.
 - (b) Reduction in PI-6, Under-Borrowing against the CFR, in the last two years as a result of the increased level of external borrowing required to fund the capital plan.
- 5.4 The table overleaf shows the "Operational Boundary" against the anticipated levels of external borrowing. The external borrowing levels 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.



5.5 The chart below details projected external borrowing for the next 5 financial years and then at each 5 year interval up to 2051/52. 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 2032-33, 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.



5.6 CIPFA published revisions to the Treasury Management Code and Prudential Code on 20 December 2021, and has stated that formal adoption is not required until the 2023/24 plan – additional information and potential impact of these revisions is included at Paragraph 1.8 of Appendix 1.

5.7 The implementation of International Financial Reporting Standard (IFRS) 16 means that, from 1 April 2022, leases which were previously off balance sheet will now be included. As leases form part of the other long term liability figures which make up the Prudential Indicators it is possible that

the Indicators currently suggested will be exceeded. The data gathering has been substantially completed and the financial implications are currently being assessed. Once this exercise is completed, later in the 2022/23 financial year, an updated report may be required to inform the members of the detailed impact of IFRS 16 with amended Prudential Indicators for approval.

6 IMPLICATIONS

6.1 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.

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 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.

6.4 Sustainable Development Goals

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

6.5 Climate Change

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 Data Protection Impact Statement

There are no personal data implications arising from the proposals contained in this report

6.8 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 (including as Monitoring Officer), the Chief Officer Audit and Risk, Director People Performance & Change, 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
Director, Finance & Corporate Governance

Signature

Author(s)

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Background Papers:

Previous Minute Reference: not applicable

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