
ANNUAL TREASURY MANAGEMENT REPORT 2021/22

Report by Acting Chief Financial Officer

AUDIT COMMITTEE

23 November 2022

1 PURPOSE AND SUMMARY

- 1.1 **This report presents the annual treasury management activities undertaken during the 2021/22 financial year.**
- 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 undertaken in the year ended 31 March 2022 and the performance of the Treasury function.
- 1.3 Appendix 1 is the annual report of treasury management activities for 2021/22 and contains an analysis of performance against targets set in relation to Prudential and Treasury Management Indicators. The performance comparisons reported are based on the revised indicators agreed as part of the mid-year report approved on 16 December 2021.
- 1.4 The Appendix shows the Council's borrowing requirement to fund the capital investment undertaken during 2021/22, how much the council actually borrowed against the sums budgeted and the level of external debt within approved limits.
- 1.5 During the year the Council has again, where possible, deferred borrowing using surplus cash rather than undertaking new borrowing. However, in March 2022, the Council did proactively undertake long term borrowing of £20m towards the financing of the capital program before interest rates were increased by the Bank of England, saving £3.94m over the life of the loan on a comparable basis to 2 November 2022 rates.
- 1.6 Treasury management activity for the year has been undertaken in compliance with approved policy and the Code. The Council remains under-borrowed against its Capital Financing Requirement (CFR) at 31 March 2022.

2 RECOMMENDATIONS

- 2.1 **It is recommended that the Members:**
 - (a) **note that treasury management activity in the year to 31 March 2022 was carried out in compliance with the approved Treasury Management Strategy and Policy as detailed in this report and in Appendix 1.**

3 BACKGROUND

- 3.1 The Council approved the Treasury Management Strategy (the Strategy) for 2021/22 at the Council meeting on 19 March 2021. 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 16 December 2021 and approved the revised Prudential and Treasury Management Indicators for 2021/22 following the updating of assumptions, in particular capital expenditure estimates.
- 3.3 As set out in the Strategy, 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 2022

- 4.1 The Annual Treasury Management Report for 2021/22 is shown in Appendix 1.
- 4.2 Appendix 1 shows the Council's borrowing requirement to fund capital investment undertaken during 2021/22, 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 2021/22 target indicators reported are based on the revised indicators agreed as part of the mid-year report on 16 December 2021.
- 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 2022, with comparators, are as follows:

	2021/22 Actual £m	2021/22 Estimate* £m	Variance £m
Actual Capital Expenditure (PI-1)	59.6	84.2	(24.6)
Total Capital Financing Requirement (CFR) (PI-2)**	342.3	364.6	(22.3)
(Under)/Over Gross Borrowing against the CFR (PI-6) ***	(128.7)	(153.1)	24.4

*Revised estimate, approved by Council 16 December 2021 as part of the mid-year report

** The CFR for this calculation is based on expenditure to 31 March 2022 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 decreased in comparison to that projected as a result of the underspend in capital expenditure during the year.

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

There is a decrease in the level of under-borrowing, compared to that projected; as this indicator includes the projected movement for the next two subsequent years, this is due to the re-phasing of works into future years in the capital plan.

(c) **Investments**

Investments held on 31 March 2022 amounted to £46.9m. This is an increase from the £27.9m at 31 March 2021 as a result of the delays in the capital program, and the drawdown of £20m loan funds prior to the end of the financial year.

- 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 2022.

5 INVESTMENT STRATEGY

- 5.1 The Investment Objectives and Policy states that 'the Council will aim to achieve the optimum return on its investments corresponding with proper levels of security and liquidity'.
- 5.2 The current Sector Limit for Money Market Funds (AAA) is £25m, with an individual Counterparty Limit of £5m for AAA rated Money Market Funds.
- 5.3 Due to high levels of cash held at certain times of the year, the £25m limit on Money Market Funds are fully used and excess funds are placed with the Government's Debt Management Office (DMO). The rates available from DMO for overnight investments are less than the Money Market Funds.

6 IMPLICATIONS

6.1 Financial

There are no further financial implications relating to this report. The outcomes from the Council's treasury management activities are explained in detail within Appendix 1.

6.2 Risk and Mitigations

This report is an account of the outcomes arising 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.

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 their appropriate comments have been incorporated into this report.

Approved by

Suzy Douglas
Acting Chief Financial Officer

Signature

Author(s)

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Background Papers:

Previous Minute Reference: Scottish Borders Council 19 March 2021 and 16 December 2021.

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. The Pension and Investment Team can also give information on other language translations as well as providing additional copies.

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