
TREASURY MANAGEMENT STRATEGY 2023/24

Report by Acting Chief Financial Officer

AUDIT COMMITTEE

13 February 2023

1 PURPOSE AND SUMMARY

- 1.1 This report is to enable the Audit Committee to undertake their scrutiny role in relation to the Treasury Management activities of the Council. It presents the proposed Treasury Management Strategy for 2023/24 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 2023/24 to be submitted to Council on 23 February 2023 is included in this report at Appendix 1 and reflects the impact of the Administration's draft Financial Plans for 2023/24 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 2023/24 to 2032/33 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

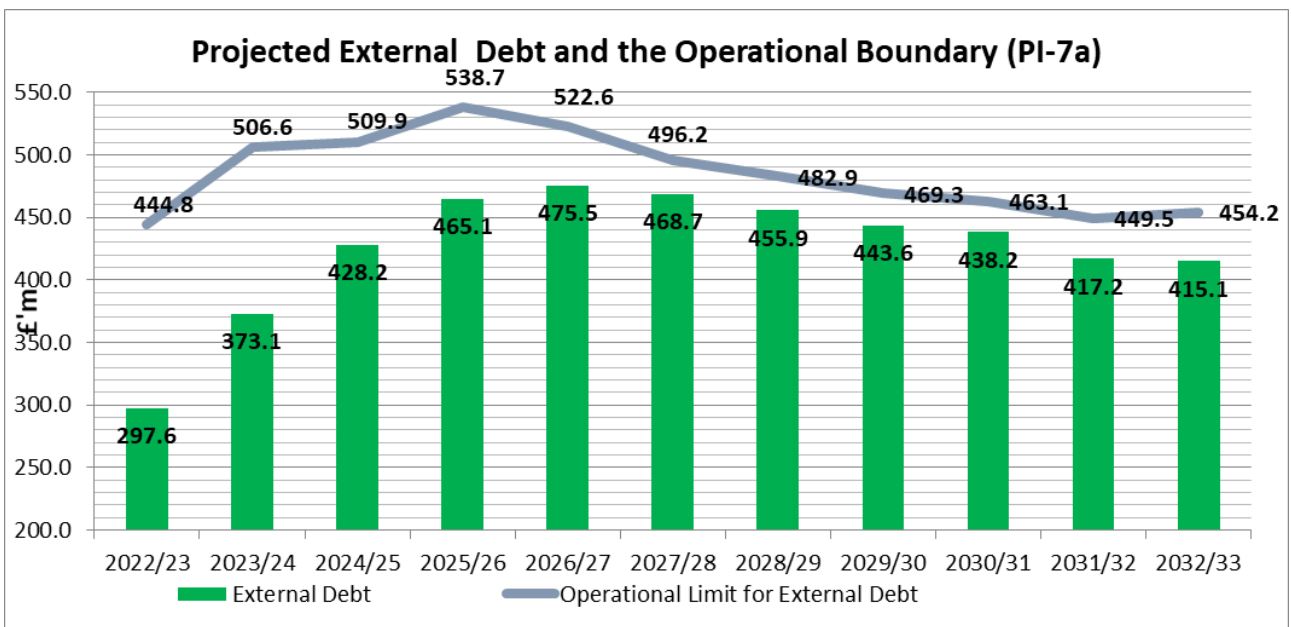
- 3.1 It is recommended that the Committee considers whether to make any comments or recommendations on the draft Treasury Management Strategy for 2023/24 prior to presentation to Council for approval.**

4 BACKGROUND

- 4.1 The Audit 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).

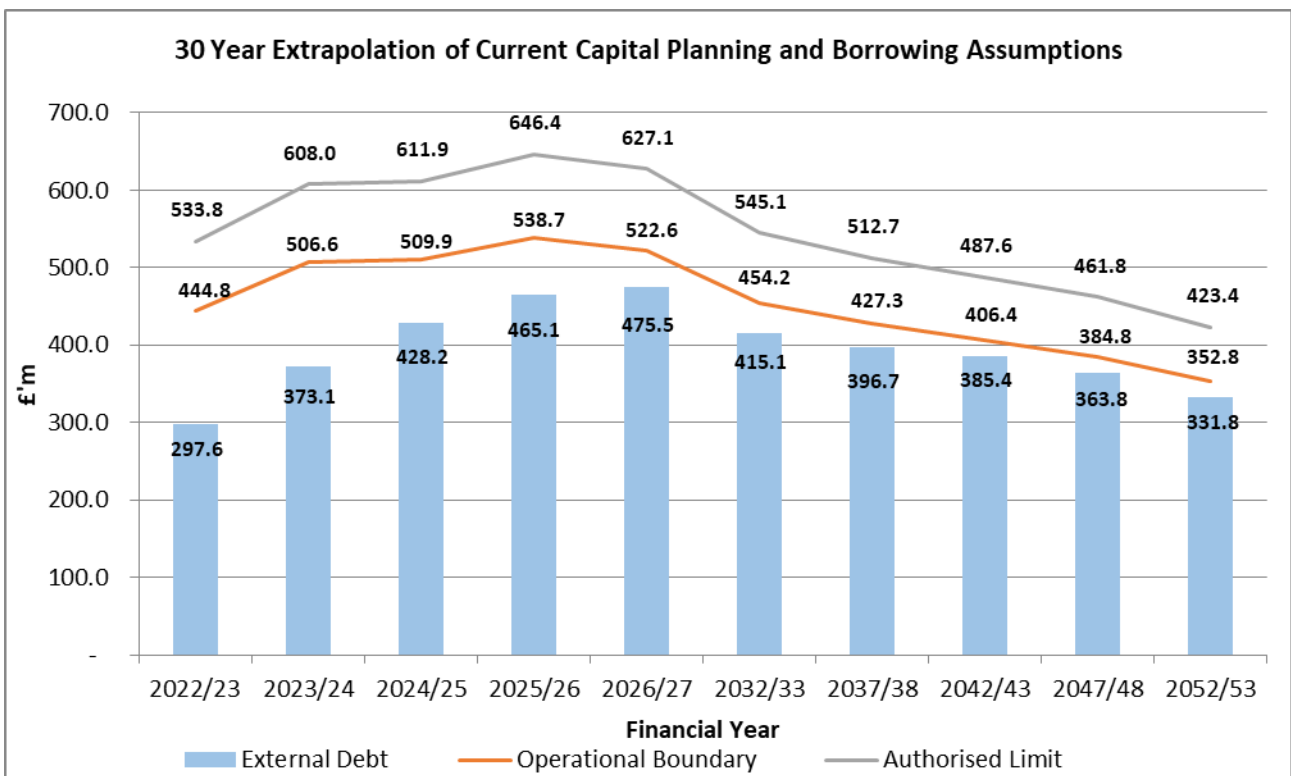
5 TREASURY MANAGEMENT STRATEGY 2023/24

- 5.1 Appendix 1 contains the draft Treasury Management Strategy for 2023/24 for consideration by the Audit Committee.
- 5.2 This is based on the Administration's current draft Financial Capital Plans for 2023/24 to 2032/33, yet to be published and as such is subject to change as these plans will not be presented to Council for approval until 23 February 2023. 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 change from the 2022/23 strategy is:
 - (a) An increase in the Capital Financing Requirement (CFR) of £29.093m as a result of reprofiling of the debt liability repayments of the Council's PPP contracts as at 1 April 2023. The increase in the CFR will continue to be reduced by the revised repayments after each Service Concession Arrangement contract has expired until the end of the revised period.
- 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. The gap however is reducing over the years due to the ambitious capital programme.



5.5 The chart below details projected external borrowing for the next 5 financial years and then at each 5 year interval up to 2052/53. 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 A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Council has measured the LB for a 10 year period in line with the Capital Plan. There are four components to the LB: -

- 1 Existing loan debt outstanding
- 2 Loans CFR
- 3 Net loans requirement
- 4 Liability benchmark (or gross loans requirement)

The measurement shows the Council to be in an under-borrowed position with a requirement for further borrowing in future years. The Council will actively monitor the progress of the Capital Plan and align forecast spend to the most efficient borrowing options available at that time.

- 5.7 The implementation of IFRS16 has been delayed until 2023/24 year end. When implemented this will mean that leases which were previously off balance sheet will now be included. Leases form part of the other long term liability figures which make up the Prudential Indicators. The data gathering has been substantially completed and the financial implications are being assessed.

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 Committee 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 are being consulted and any comments received will be reported to the meeting.

Approved by

Suzy Douglas
Acting Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
Suzy Douglas	Acting Chief Financial Officer (X5881)

Background Papers:

Previous Minute Reference: not applicable

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