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## **DRAFT TREASURY MANAGEMENT STRATEGY 2016/17**

**Report by Chief Financial Officer**

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### **AUDIT AND RISK COMMITTEE**

**18 January 2016**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 This report is to enable the Audit and Risk Committee to undertake their scrutiny role in relation to the Treasury Management activities of the Council. It presents the proposed Treasury Management Strategy for 2016/17 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 2016/17 to be submitted to Council on 11 February 2016, is included in this report at Appendix 1 and reflects the impact of the Administration's draft Financial Plans for 2016/17 onwards on the prudential and treasury indicators for the Council.

#### **2 RECOMMENDATIONS**

- 2.1 It is recommended that the Committee considers whether to make any comments or recommendations on the draft Treasury Management Strategy for 2016/17 prior to presentation to the Council for approval.**

### 3 BACKGROUND

3.1 The Audit and Risk 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 TREASURY MANAGEMENT STRATEGY 2016/17

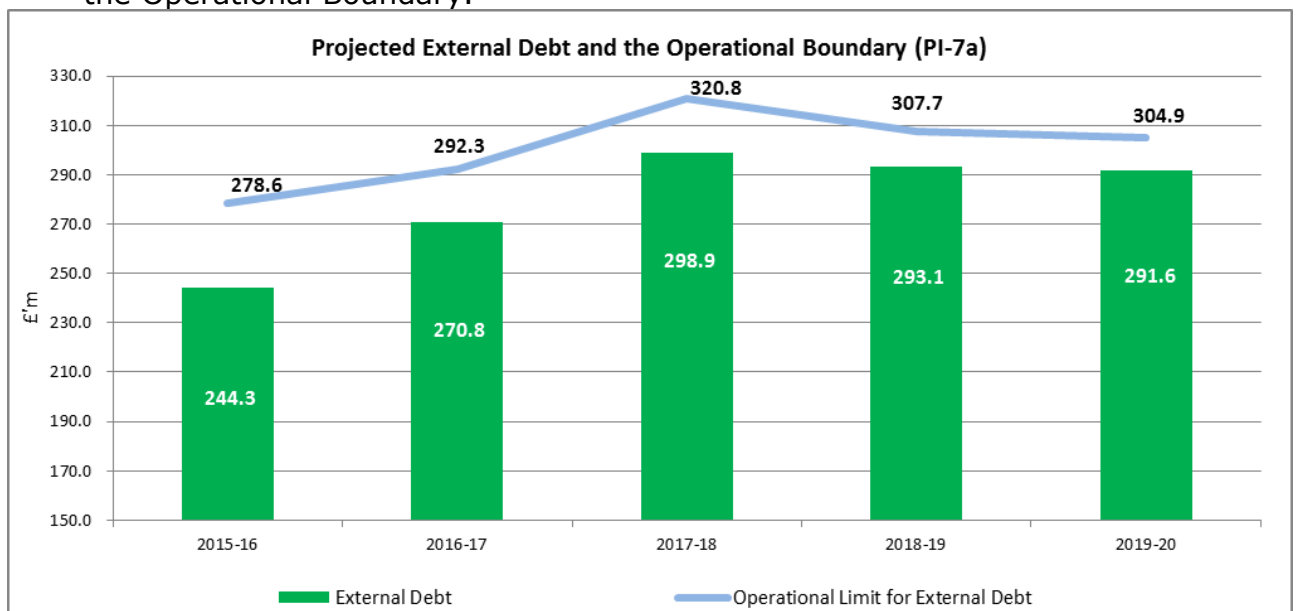
4.1 Appendix 1 contains the draft Treasury Management Strategy for 2016/17 for consideration by the Audit and Risk Committee.

4.2 This is based on the Administration's current draft Financial Capital Plans for 2016/17 to 2025/26 yet to be published and as such is subject to change as these plans will not be presented to Council for approval until 11 February 2016.

4.3 Appendix 1, Annex A contains a summary of the proposed indicators within the strategy. The significant changes from the 2015/16 strategy are:

- (a) Increase in the Capital Financing Requirement (CFR) for 2016/17 due to increased capital expenditure in 2016/17 resulting from new projects and from acceleration of a number of projects such as Broomlands, Langlee and 3G sports pitches, additionally borrowing requirements associated with the re-phasing of projects from 2015-16 into 2016-17 and future years have impacted on the total CFR.
- (b) Increase in the Authorised Limit in 2017/18 associated with debt following the completion of Kelso High School and the resulting Long Term liability and 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 external borrowing levels should not exceed the operational boundary, i.e. the level of borrowing that is defined by the prudential framework as the limit which external borrowing is not normally expected to exceed. The gap between these two elements as seen in the table is narrowing each year and is indication that the Council's external debt is getting closer to the prudent affordability limit as defined by the Operational Boundary.



## 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 for Audit and Risk 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. These strategies provide the parameters and guidance for the investment and borrowing decisions for the Council.

### 5.3 Equalities

It is anticipated that there are no adverse equality implications arising from the proposals in 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 Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council have been consulted and any comments received have been incorporated into the final report.

### Approved by

**David Robertson**  
Chief Financial Officer

Signature .....

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**Background Papers:**  
**Previous Minute Reference:**

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

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