
TREASURY MANAGEMENT STRATEGY 2016/17

Report by Chief Financial Officer

SCOTTISH BORDERS COUNCIL

11 February 2016

1 PURPOSE AND SUMMARY

- 1.1 This report proposes the Treasury Management Strategy 2016/17 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 2016/17 is included in this report in Appendix 1 and reflects the impact of the Administration's Financial Plans for 2016/17 onwards on the prudential and treasury indicators for the Council

2 RECOMMENDATIONS

- 2.1 It is recommended that the Council:**
 - (a) approves the Treasury Management Strategy 2016/17 as set out in Appendix 1.**
 - (b) Council reviews its capital expenditure plans going forward to ensure they remain realistic, affordable and sustainable; and**
 - (c) ensures that the revenue consequences of all capital projects be fully reviewed in all investment decisions.**

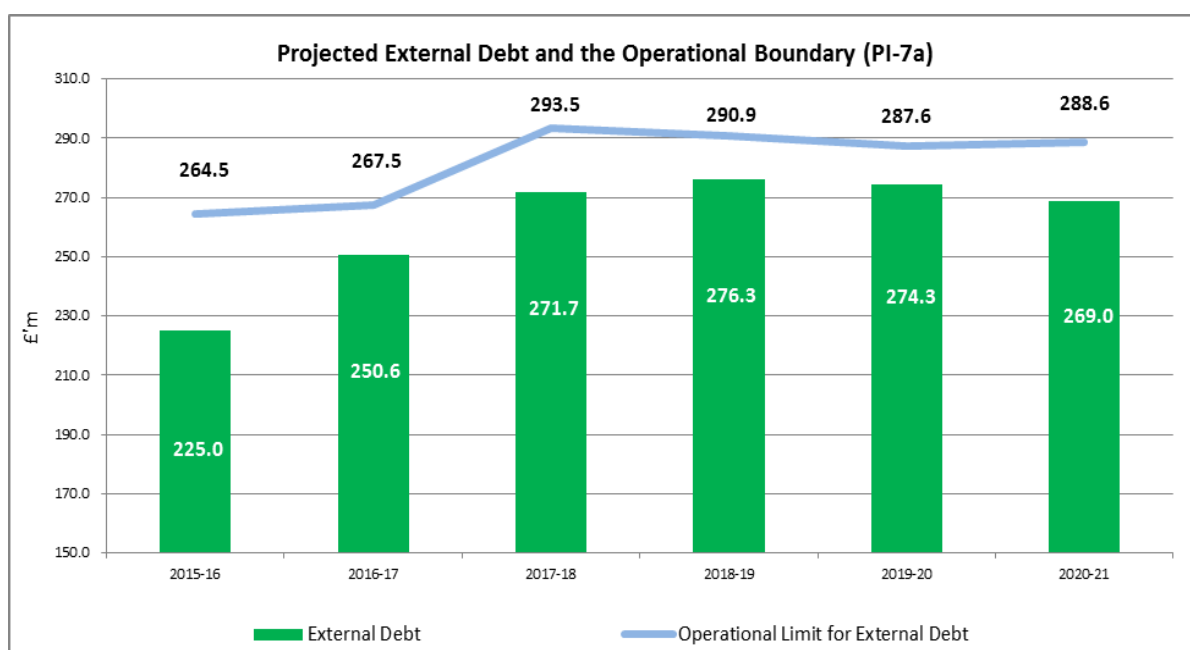
3 BACKGROUND

- 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 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). The Committee reviewed the Strategy set out in Appendix 1 at the meeting on the 18 January 2016.
- 3.3 The Audit and Risk Committee, when it considered the draft Treasury Management Strategy 2016/17 at the meeting on 18 January 2016, also agreed to recommend to Council that:-
 - (a) Council reviews its capital expenditure plans going forward to ensure they remain realistic, affordable and sustainable; and
 - (b) in all future capital projects, the revenue consequences of such projects be fully considered in arriving at investment decisions.

4 TREASURY MANAGEMENT STRATEGY 2016/17

- 4.1 Appendix 1 contains the draft Treasury Management Strategy for 2016/17 for consideration by the Council.
- 4.2 This is based on the Administration's Capital Financial Plan for 2016/17 to 2025/26
- 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 Capital Financed from Revenue (CFR) for 2016/17 due to increased capital expenditure in 2016/17 resulting new projects and from acceleration of a number of projects such as Broomlands, Langlee and 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 Authorised Limit in 2017/18 with associated 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 an 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. This strategy provides 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.
- 6.2 The Audit and Risk Committee considered the report at the meeting on 18 January 2016 and supported its submission to Council for approval with the request for 2 recommendations now reflected in this covering report.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
Lynn Mirley	Corporate Finance Manager, 01835 825016
Kirsty Robb	Capital and Investment Manager, 01835 825249
John Yallop	Senior Finance Officer. 01835 824000, Ext 5933

Background Papers:

Previous Minute Reference: Audit & Risk Committee, 18 January 2016

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Contact us at Capital & Investments Team, Finance, Scottish Borders Council, Council Headquarters, Newtown St Boswells, Melrose, TD6 0SA Tel: 01835 825249 Fax 01835 825166. email: <mailto:treasuryteam@scotborders.gov.uk>