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## **ANNUAL TREASURY MANAGEMENT REPORT 2022/23**

**Report by Director of Finance & Procurement**

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### **AUDIT COMMITTEE**

**25 September 2023**

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

- 1.1 This report presents the annual treasury management activities undertaken during the 2023/23 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 2023 and the performance of the Treasury function.
- 1.3 Appendix 1 is the annual report of treasury management activities for 2022/23 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 12 December 2022.
- 1.4 The Appendix shows the Council's borrowing requirement to fund the capital investment undertaken during 2022/23, 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.
- 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 2023.

#### **2 RECOMMENDATIONS**

- 2.1 It is recommended that the Audit Committee:**
  - (a) note that treasury management activity in the year to 31 March 2023 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 2022/23 at the Council meeting on 22 February 2022. 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 12 December 2022 and approved the revised Prudential and Treasury Management Indicators for 2022/23 following the updating of assumptions, in particular capital expenditure estimates.
- 3.3 As set out in the Strategy, the Audit 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 2023

- 4.1 The Annual Treasury Management Report for 2022/23 is shown in Appendix 1.
- 4.2 Appendix 1 shows the Council's borrowing requirement to fund capital investment undertaken during 2022/23, 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 2022/23 target indicators reported are based on the revised indicators agreed as part of the mid-year report on 12 December 2022.
- 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 2023, with comparators, are as follows:

	<b>2022/23 Actual £m</b>	<b>2022/23 Estimate* £m</b>	<b>Variance £m</b>
<b>Actual Capital Expenditure (PI-1)</b>	63.5	98.0	(34.5)
Total Capital Financing Requirement (CFR) (PI-2)**	347.7	371.9	(24.2)
<b>(Under)/Over Gross Borrowing against the CFR (PI-6) ***</b>	(158.0)	(184.6)	26.6

\*Revised estimate, approved by Council 12 December 2022 as part of the mid-year report

\*\* The CFR for this calculation is based on expenditure to 31 March 2023 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**

The reason for the decrease in the level of under-borrowing, compared to that projected, is due to the re-phasing of future years capital plan. This is a timing movement and reflects the position at a point in time.

(c) **Investments**

The total value of investments/deposits for the Council at 31 March 2023 was £27m. Cash was held on a short term basis throughout 2022/23 with major banks and various money market funds (the latter having a credit rating of AAA).

- 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 2023.
- 4.6 The Council rescheduled its PPP debt as of the 1<sup>st</sup> April 2023, therefore this scheduling features in the Treasury Strategy from 1<sup>st</sup> April 2023 but does not affect the figures reflected in this report.

**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, set out in the approved Treasury Strategy, 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 was fully used and excess funds were placed with the UK Government DMA.

**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 Director of Corporate Governance, the Chief Officer Audit and Risk, the Director of People, Performance & Change, the Clerk to the Council and Corporate Communications are being consulted and any comments received will reported to the meeting.

### Approved by

**Suzy Douglas**  
**Director of Finance & Procurement**

**Signature .....**

### Author(s)

Name	Designation and Contact Number
Suzy Douglas	Director of Finance & Procurement – X5881

### Background Papers:

**Previous Minute Reference:** Scottish Borders Council 22 February 2022 and 12 December 2022.

**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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