

Report to the Council

Committee: Cabinet **Date:** 21 February 2019
Subject: Treasury Management Strategy Statement 2019/20
Portfolio Holder: Councillor G Mohindra (Business Support)

Recommending:

The Cabinet recommend the following to Council for approval:

- (a) Treasury Management Strategy Statement 2019/20;**
 - (b) Minimum Revenue Provision (MRP) Strategy;**
 - (c) Treasury Management Prudential Indicators for 2019/20 to 2021/22;**
 - (d) The rate of interest to be applied to any inter-fund balances;
and**
 - (e) Treasury Management Policy Statement.**
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1. The Council is required to approve the Treasury Management Strategy and Prudential Indicators and a statement on the Minimum Revenue Provision (MRP) before the start of each financial year.

2. The strategies were scrutinised by the Audit and Governance Committee on 28 January 2019 and an update will be provided to Council on 21 February to cover any suggestions or proposed amendments.

Introduction

3. The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). There is a requirement for Council to approve its treasury and investment strategy and prudential indicators each year.

4. The Strategy was prepared in line with advice from our treasury advisors Arlingclose. The attached report at Appendix 1 shows the Treasury Management Strategy Statement 2019/20.

5. There have been no major changes to the strategy from the current strategy approved in February 2018. However, Members should be aware of the following:

Minimum Revenue Provision

6. Each year the Council has to approve at Full Council its statement on the Minimum Revenue Provision (MRP). In previous years the Council has been debt free and therefore, we did not have to provide MRP in our accounts. The Council took on debt of £185.5m in 2012 and this would normally require a local authority to charge MRP to the General Fund. CLG have produced regulations to mitigate this impact, whereby we can ignore the borrowing incurred in relation to the Housing Self-financing when calculating MRP and therefore, (for MRP purposes only) we are classed as debt free and do not have to make provision for MRP. However, the Council may undertake additional borrowing before or after additional capital spending. This will require MRP in the year following and it is currently anticipated that a charge of £514,000 will be required in 2019/20 (see Appendix D).

Inter-fund balances

7. The Council has inter-fund borrowed for many years between the General Fund and Housing Revenue Account and the interest charge made between the funds has been based on the average interest earned on investment for the year. Under regulations issued by CIPFA, it is now required that the interest rate applicable to any inter-fund borrowing should be approved by Full Council before the start of the financial year. As the Council has been undertaking inter-fund borrowing for many years, it is proposed to continue to use the average interest earned for the year on investments as the rate for any inter-fund borrowing.

Policy Statement

8. The Treasury Management Policy Statement is a high level statement setting out how the Council's Treasury function will be undertaken. The Policy Statement was last updated as part of the 2018/19 Treasury Strategy. The Policy is attached at Appendix G for Cabinet to consider, no amendments are currently proposed.

Current Investments

9. The Council's investments are all denominated in UK sterling and the treasury officers receive regular information from our treasury advisors on the latest position on the use of Counterparties.

Conclusion

10. We recommend as set out at the commencement of this report.