

CABINET

17 February 2020

Title: Treasury Management Strategy Statement 2020/21	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	For Decision
Wards Affected: None	Key Decision: Yes
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Accountable Director: Philip Gregory, Director of Finance	
Accountable Strategic Director: Claire Symonds, Chief Operating Officer	
Summary <p>This report deals with the Treasury Management Annual Strategy Statement, Treasury and Prudential Indicators, Annual Investment Strategy and borrowing limits, in compliance with Section 15(1)(a) of the Local Government Act 2003.</p> <p>The production and approval each year of a Treasury Management Strategy Statement and Annual Investment Strategy are requirements of the Council under Section 15(1) of the Local Government Act 2003. It is also a requirement of the Act to set an authorised borrowing limit for the forthcoming financial year.</p> <p>The Local Government Act 2003 also requires the Council to have regard to the Prudential Code, and to set prudential indicators which consider the Council's capital investment plans for the next three years.</p> <p>The Prudential Code was revised in 2017 with the main changes being the inclusion of the Capital Strategy 2020/21 requirements. The Capital Strategy is largely driven by the Council's Investment and Acquisition Strategy, which will be revised in June 2020 and will be based on the Be First Business Plan, which is due to come to Cabinet in March 2020.</p>	
Recommendation(s) <p>The Cabinet is asked to recommend the Assembly to adopt the Treasury Management Strategy Statement for 2020/21 and, in doing so, to:</p> <ul style="list-style-type: none">(i) Note the current treasury position for 2020/21 and prospects for interest rates, as referred to in section 7.2 of the report;(ii) Approve the Annual Investment Strategy 2020/21 outlining the investments that the Council may use for the prudent management of its investment balances, as set out in Appendix 1 to the report;(iii) Approve the Council's Borrowing Strategy 2020/21 to 2023/24, as set out in	

Appendix 2 to the report;

- (iv) Note that the Capital Strategy 2020/21, incorporating the Investment and Acquisitions Strategy, shall be updated and presented for approval in June 2020;
- (v) Approve the Capital Prudential and Treasury Indicators 2019/20 – 2023/24, as set out in Appendix 3 to the report;
- (vi) Approve the Minimum Revenue Provision Policy Statement for 2020/21, representing the Council's policy on repayment of debt, as set out in Appendix 4 to the report;
- (vii) Approve the Operational Boundary Limit of £1.25bn and the Authorised Borrowing Limit of £1.35bn for 2020/21, representing the statutory limit determined by the Council pursuant to section 3(1) of the Local Government Act 2003, as referred to in Appendix 4 to the report; and
- (viii) Delegate authority to the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Performance and Core Services, to proportionally amend the counterparty lending limits agreed within the Treasury Management Strategy Statement to consider the increase in cash from borrowing and any subsequent decrease in cash balances as payments are made to the Special Purpose Vehicle.

Reason(s)

To enable the Council to accord with the requirements of the Local Government Act 2003.

1. Introduction and Background

- 1.1 The Council is required to operate a balanced budget, with cash raised during the year sufficient to meet the Council's cash expenditure. Treasury management supports the Council by seeking to ensure its cash flow is adequately planned, with cash being available when it is needed. Surplus cash is invested in counterparties or instruments commensurate with the Council's risk appetite, providing adequate security and liquidity while also considering the investment return.
- 1.2 A second function of treasury management is funding the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer term cash flow surpluses.
- 1.3 The Council is responsible for its treasury decisions, activity and risk appetite. The successful identification, monitoring and control of risk are integral elements of treasury management, including credit and counterparty risk, liquidity risk, market risk, interest risk, refinancing risk and legal and regulatory risk. The Council is statutorily required to approve the Treasury Management Strategy Statement (TMSS) prior to the new financial year.

2. Treasury Management Reporting Requirements

- 2.1 The Council is required to receive and approve at least three main treasury reports each year. These reports are required to be adequately scrutinised by Cabinet before being recommended to the Council. The three main treasury reports are:
- i. **The TMSS** is the most important report and considers the impact of the Council's proposed Revenue Budget and Capital Programme on the Balance Sheet position, the current and projected Treasury position, the Prudential Indicators (PIs) and the outlook for interest rates. In addition, the current market conditions are factored into any decision-making process.
 - ii. **A Mid-Year Treasury Management Report** to update Members on the progress of the capital position, amending PIs and investment strategy as necessary.
 - iii. **An Annual Treasury Report** which outlines the actual PIs, treasury indicators and treasury operations compared to the estimates within the strategy.
- 2.2 As the Council is responsible for housing, PIs relating to capital expenditure, financing costs and the Capital Financing Requirement (CFR) are split between the Housing Revenue Account (HRA) and the General Fund (GF). The impact of new capital investment decisions on housing rents will also need to be considered.
- 2.3 This report provides an explanation of the key elements of the Council's TMSS, its Minimum Revenue Provision (MRP) Strategy, the Annual Investment Strategy (AIS) for 2020/21 and the Borrowing Strategy, which are set out in detail in the appendices attached to this report

3. Treasury Management Strategy Statement for 2020/21

- 3.1 The strategy for 2020/21 covers two main areas, including Treasury Management and Capital Strategy Reporting issues. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Ministry of Housing, Communities and Local Government's (MHCLG) MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

3.2 Treasury Management Issues

- Current Portfolio Position at 31 December 2019 (section 4);
- Medium Term Capital Finance Budget (section 5);
- Treasury Position at 31 December 2019; forward projections 2023/24 (section 6);
- Economic Update and Rate Forecast (section 7);
- The Capital Expenditure Plans 2020/21 – 2023/24 (section 8);
- Treasury Management Advisors (section 9);
- Minimum Revenue Provision Policy Statement (section 10);
- Appendix 1 – Annual Investment Strategy 2020/21;
- Appendix 2 - Borrowing Strategy 2020/21 to 2023/24;
- Appendix 3 – The Capital Prudential and Treasury Indicators 2020/21 – 2023/24;
- Appendix 4 – Minimum Revenue Provision Policy Statement 2020/21; and
- Appendix 5 – Scheme of Delegation and Section 151 Officer Responsibilities.

3.3 Capital Strategy Reporting Requirements

- 3.3.1 The CIPFA revised 2017 Prudential and Treasury Management Codes require all local authorities to prepare an additional report, a Capital Strategy Report (CSR), which will provide the following:
- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
 - an overview of how the associated risk is managed; and
 - the implications for future financial sustainability.
- 3.3.2 The aim of this CSR is to ensure that Members fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
- 3.3.3 The Council already has an Investment and Acquisitions Strategy (IAS), which forms the basis of the CSR. In addition to the IAS, the Council's Capital Strategy includes a Borrowing Strategy (appendix 2) and an MRP Policy (appendix 4), that include additional details on the borrowing and debt repayment for the Council's Capital Strategy. These documents combined provide details of the Council's Capital Strategy and includes:
- The corporate governance arrangements for these types of activities;
 - Any service objectives relating to the investments;
 - The expected income, costs and resulting contribution;
 - The debt related to the activity and the associated interest costs;
 - The payback period (MRP policy);
 - For non-loan type investments, the cost against the current market value;
 - The risks associated with each activity.
- 3.3.4 Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.
- 3.3.5 Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.
- 3.3.6 If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.
- 3.3.7 To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.
- 3.3.8 The Investment and Acquisition Strategy was agreed at the September 2019 Cabinet Meeting. This will be updated to reflect the updated Be First Business Plan and presented to the June 2020 Cabinet.

4. Current Portfolio Position at 31 December 2019

4.1 The Council holds cash balances arising from its operational activities, including income from grants and Council Tax, which are offset by expenditure to run services. The timing of these cash flows can result in surplus cash which is then available to invest. Cash balances are also affected by working capital, which relates outstanding payments to be made to suppliers offset by amounts owed to the Council.

4.2 These balances are made up of the following sources of cash:

- Capital grants and Section 106 funds received in advance of expenditure;
- General Fund, HRA and School cash balances;
- Earmarked Reserves, provisions, Capital Receipts and Working Capital;
- European Investment Bank Loans to fund regeneration;
- L1 Renewables to fund street lighting improvement;
- Public Works Loan Board (PWLB); and
- Bank loans including Lender Option Buyer Option (LOBO).

4.3 Table 1 shows the Council's investments, loans and borrowing balances at 31 December 2019, including the Average Life and the Average Rate of Return. The debt is split between HRA and GF borrowing to match the two pool approach the Council has adopted for borrowing. The Council invests all cash in one investment pool, with interest distributed between the HRA, schools and GF.

Table 1: Council's Treasury Position at 31 December 2019

	Principal Outstanding £000s	Rate of Return %	Average Life (yrs.)
General Fund Fixed Rate Long Term Borrowing			
PWLB	387,521	2.17	27.0
European Investment Bank	81,852	2.21	24.3
Local Authority Long Term	20,000	4.05	0.1
LOBO	10,000	3.98	57.5
L1 RENEWABLES	6,815	3.44	26.8
Total General Fund Debt	506,188	2.30	21.8
General Fund Fixed Rate Short Term Borrowing			
Local Authority Short Term	141,000	0.81	0.2
Total GF Debt	647,188	1.98	20.5
HRA Fixed Rate Borrowing			
PWLB	265,912	3.50	36.1
Market Loans	10,000	3.98	58.4
Total HRA Debt	275,912	3.51	36.9
Total Council Borrowing	923,100	2.13	25.4

Investments			
MMF / Cash	14,174	0.61	-
Local Authority Deposits	221,000	1.65	0.9
Bank Deposit	100,000	1.22	0.6
Total Treasury Investments	335,174	1.49	1.3
Loans			
	72,092	Various	Various

* includes loans to Reside and loans to Subsidiary Companies.

4.4 The budget to cover cost of the current and proposed debt has been factored into the MTFS and is included in table 2. Table 2 also includes the MRP budget, Investment and Acquisitions target and HRA interest costs.

5. Medium Term Capital Finance Budget

5.1 A key part of the Council's budget strategy is the medium-term capital finance budget shown in Table 2. It is a statutory requirement that the level of borrowing is kept under review and is affordable. Due to the Council's IAS, it is likely that the Council's cash position will significantly reduce over the next few years as a result of utilising the Council's reserves and using cash balances to fund property investments.

5.2 The significant increase in GF Interest Payable is due to the borrowing required to fund the Council's IAS. The medium-term capital financing budget to 2023/24 is shown in table 2.

Table 2: Medium Term Capital and Treasury Budget

£'000s	2019/20	2020/21	2021/22	2022/23	2023/24
	Budget	Budget	Budget	Budget	Budget
MRP	8,898	7,398	7,548	7,698	7,848
Net Interest Budget	5,296	7,733	8,209	8,667	8,656
HRA Interest Payable	10,059	10,059	10,059	10,059	10,059
Investment Income	-3,733	-5,125	-5,125	-5,125	-5,125
Net Cost	20,520	20,065	20,691	21,299	21,438

6. Treasury Position at 31 December 2019; Forward Projections 2023/24

6.1 The Council's treasury position at 31 December 2019, with forward projections are summarised in table 3. The table shows the estimated external debt against the underlying CFR, highlighting any over or under borrowing. The CFR and the gross debt includes borrowing to fund the IAS as well as the borrowing from the EIB to fund Abbey Road Phase 2 and the Gascoigne Regeneration. To ensure borrowing is only for a capital purpose Gross Debt should, except in the short term, should be below the CFR over the period. However, as the Council has a significant Investment Strategy, on occasion Gross Debt may exceed the CFR as long-term borrowing is secured to ensure funding is available for the IAS.

Table 3: Treasury Position at 31 December 2019, with Forward Projections

£'000s	2019/20	2020/21	2021/22	2022/23	2023/24
	Estimate	Estimate	Estimate	Estimate	Estimate
External Debt					
Debt at 1 April	847,613	907,613	1,007,613	1,257,613	1,307,613
Expected change in Debt	60,000	100,000	250,000	50,000	30,000
Finance Lease Liability	82,906	82,441	81,952	81,470	80,968
PFI Liability	45,871	43,919	41,853	39,617	37,153
Gross Debt at 31 March	1,036,390	1,133,973	1,381,419	1,428,699	1,455,734
CFR	909,031	1,147,088	1,413,552	1,464,342	1,492,561
Under/(over) borrowing	-127,359	13,115	32,134	35,643	36,827

7. Economic Update and Rate Forecast

7.1 World growth

- 7.1.1 Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation.
- 7.1.2 However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high-tech areas and production of rare earth minerals used in high tech products. It is achieving this by providing financial support to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business
- 7.1.3 The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this will militate against central banks increasing interest rates.
- 7.1.4 The trade war between the US and China is a concern to financial markets due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming in the US. These concerns resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US).

7.1.5 **Inflation** has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to a marked acceleration of wage inflation which is likely to prompt central banks into a series of increases in central rates. The EU is probably about a year behind in a similar progression.

7.1.6 **Central bank monetary policy measures** - Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as quantitative easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

7.2 Interest rate forecast

7.2.1 The interest rate forecasts provided by Link Asset Services in table 4 are based on the assumption that there is an agreed deal on Brexit, including agreement on the terms of trade between the UK and EU, at some point in time. The result of the general election has removed much uncertainty around this major assumption. However, it does not remove uncertainty around whether agreement can be reached with the EU on a trade deal within the short time to December 2020, as the prime minister has pledged.

7.2.2 Downside risks to current forecasts for UK gilt yields & PWLB rates include:

- **Brexit:** if it were to cause significant economic disruption / a downturn in growth.
- **Bank of England** acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government.**
- **Other minority EU governments.** Austria, Finland, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was **potential for a rerun of the 2008 financial crisis**, but this time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on **some \$19trn of corporate debt in major western economies**, if world growth was to dip further than just a minor cooling.
- **Geopolitical risks**, for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

7.2.3 Upside risks to current forecasts for UK gilt yields and PWLB rates include:

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation**, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields

7.3 Investment and borrowing rates

7.3.1 Investment returns are likely to remain low during 2020/21 with little increase in the following two years. However, if major progress was made with an agreed Brexit, then there is upside potential for earnings.

7.3.2 Borrowing interest rates were on a major falling trend during the first half of 2019-20 but then jumped up by 100 bps on 9.10.19. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. However, the unexpected increase of 100 bps in PWLB rates requires a major rethink of local authority treasury management strategy and risk management.

7.3.3 While this authority will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt and the rundown of reserves, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new short or medium-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

7.3.4 The interest rate forecast is provided in table 4 below:

Table 4: Interest Rate Forecast for the BOE Base Rate and PWLB

Link Asset Services Interest Rate View														
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

7.4 **Bail In legislation**

- 7.4.1 As part of regulation changes within the banking sector the UK Government removed the expectation that governments will support financial institutions in the event of an institution fail. This was set up to ensure there was a structure that will be followed should a financial institution fail. To do this the UK Government agreed a process to deal with a financial institution failure, which includes the option for institutional investors to lose part of their invested cash as part of a “bail in”.
- 7.4.2 It could be argued that the potential for institutional investors to lose part of their investment has always been there and is the main driver behind the rates “rewarded” when an investment is made. The structure keeps the equity investor and bond holders at the top with Institutional Investors, therefore there is a significant buffer before the Council’s cash holdings would be affected.
- 7.4.3 The Treasury section completes regular monitoring of the potential affect a significant market correction would have on the various banks the Council has deposited money with and will make adjustment to the strategy should any issues be identified.

7.5 **Return Target 2019/20 to 2022/23**

- 7.5.1 To achieve the interest target, the Treasury section needs to achieve the following average returns on an average cash balance of £220m:

2019/20	1.50
2020/21	1.70
2021/22	2.00
2022/23	2.10

- 7.5.2 The increased return is heavily reliant on interest rates increasing from their current lows. The recent increase in PWLB borrowing rates has helped the Council to increase the rate it obtains from other Local Authorities and this has helped to secure some investments at or above the 1.7% target rate.

7.6 **HRA Investments**

- 7.6.1 Cash balances held by the HRA will be invested as part of the Council’s overall treasury strategy. Cash balances will generally earn the average short-term rate of the Council’s investments, which will be calculated at the financial year end.
- 7.6.2 Where there is agreement by the Chief Operating Officer (COO), individual investments can be ring-fenced for the HRA, with the allocations made within the Council’s overall treasury strategy requirements. For further details please refer to the HRA Business Plan.

7.7 **Abolition of HRA debt cap**

- 7.7.1 In October 2018, Prime Minister Theresa May announced a policy change of abolition of the HRA debt cap.

8. The Capital Expenditure Plans 2020/21 – 2023/24

8.1 The Council's Housing (HRA) and General Fund (GF) capital expenditure plans, together with Balances and Reserves, are the key drivers of treasury management activity. The estimates for Capital expenditure, and its funding based on current proposed Revenue Budget and Capital Programmes, are reflected in prudential indicators, which are designed to assist Members overview and confirm capital expenditure plans. The Prudential Indicators are included in Appendix 3.

8.2 Table 6 below shows the proposed Capital Financing Requirement over the coming four financial years. It is a requirement of the Prudential Code to ensure that capital expenditure remains within sustainable limits and to consider the impact on Council Tax and, in the case of the HRA, housing rent levels.

Table 6: Proposed Capital Expenditure 2019/20 to 2023/24

Capital expenditure	2019/20	2020/21	2021/22	2022/23	2023/24
	Estimate £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000
Capital Financing Requirement					
Opening CFR – General Fund	464,861	606,268	844,325	1,110,789	1,161,579
Net financing need for the year	175,900	249,263	278,335	63,099	39,500
Movement Between HRA and GF	-24,291				
Investment Debt Repayment (MRP)				-141	-418
Other MRP & Financing	-10,202	-11,206	-11,871	-12,168	-10,863
Total General Fund CFR	606,268	844,325	1,110,789	1,161,579	1,189,798
CFR – Housing	278,472	302,763	302,763	302,763	302,763
Net financing need for the year		0			
Movement Between HRA and GF	24,291				
Total HRA CFR	302,763	302,763	302,763	302,763	302,763
Total CFR	909,031	1,147,088	1,413,552	1,464,342	1,492,561
Movement in CFR	165,698	238,057	266,464	50,790	28,219

8.3 The estimated financing need for the year in Table 6 represents a shortfall of resources resulting in a requirement to borrow. This underlying need to borrow is the CFR. The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

8.4 A portion of the net financing need has already been borrowed as this relates to properties held by Reside, which was borrowed from the European Investment Bank. The increase financing need reflects the Investment and Acquisitions strategy borrowing requirement.

8.5 Other long-term liabilities: the above financing need excludes other long-term liabilities, such as PFI and leasing arrangements, which already include borrowing instruments.

8.6 Sufficient headroom has been provided within the Authorised Limit on external borrowing to ensure that any major capital investment projects resulting from the IAS are not restricted by this statutory limit. The limit also covers any short term borrowing for cash flow purposes as well as long term borrowing for capital projects,

finance leases PFI initiatives as well as any unforeseen incidences where expected capital receipts are not forthcoming due to unexpected economic factors.

9. Treasury Management Advisors

- 9.1 The Council uses Link Asset Services, Treasury solutions as its external treasury management advisors.
- 9.2 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.
- 9.3 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review..

10. Minimum Revenue Provision Policy Statement

- 10.1 In accordance with Statutory Instrument 2008 number 414 and new guidance issued by the Government under section 21 (1A) of the Local Government Act 2003 a statement on the Council's policy for its annual Minimum Revenue Provision (MRP) needs to be approved before the start of the financial year.
- 10.2 The Council are asked to approve the Minimum Revenue Provision Statement set out in Appendix 4.

11. Financial Implications

Implications completed by: Philip Gregory, Finance Director

- 11.1 The financial implications are discussed in detail in this report.

12. Legal Implications

Implications completed by: Dr. Paul Field, Senior Governance Solicitor

- 12.1 It is a statutory requirement under the Government Finance Act 1992 for the Council to set out what the Council has to base its budget calculations upon. Furthermore, it is a legal requirement for the Council to set a balanced budget with regard to the advice of its Chief Finance Officer. However, what is meant by 'balanced' is not defined in law and this has means that the Council must rely upon the professional judgement to ensure that the local authority's budget is robust and sustainable. The Local Government Act 2003 requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. The Council must 'have regard to' the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out its functions under the Act.
- 12.2 This report sets out the Councils strategies in accordance with the Act.

13. Other Implications

- 13.1 **Risk Management:** This report has risk management issues for the Council, primarily that a counterparty could cease trading or risk that interest rates would rise adversely. The mitigation of these is contained in this report.
- 13.2 **Corporate Policy and Equality Impact -** The TMSS seeks to support the Council's investment aims to unlock regeneration and economic growth opportunities within the borough. There are no equality or diversity implications arising from this report.

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

- Appendix 1 – Annual Investment Strategy 2020/21
- Appendix 2 - Borrowing Strategy 2020/21 to 2023/24
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