

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**CABINET - TUESDAY, 5 FEBRUARY 2019**

Report Title	<b>TREASURY MANAGEMENT STRATEGY STATEMENT 2019/20 AND PRUDENTIAL INDICATORS 2019/20 TO 2021/22</b>
Key Decision	a) Financial Yes b) Community Yes
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Purpose of report	This report outlines the expected treasury operations for the forthcoming financial year and sets out the Authority's treasury management indicators for 2019/20 to 2021/22. It fulfils key requirements of the Local Government Act 2003: <ul style="list-style-type: none"> <li>• The Treasury Management Strategy Statement in accordance with the CIPFA Code of Practice for Treasury Management in the Public Services ;</li> <li>• The Treasury Management Investment Strategy in accordance with the MHCLG Investment Guidance;</li> <li>• The reporting of the prudential indicators as required by the CIPFA Prudential Code for Capital Finance in Local Authorities.</li> <li>• The Policy for the Annual Minimum Revenue Provision.</li> </ul>
Reason for Decision	These are statutory requirements
Council priorities	Value for Money
Implications:  Financial/Staff	Interest earned on balances and interest paid on external debt, impact on the resources available to the Authority.
Link to relevant CAT	Could impact on all CAT's.

Risk Management	Borrowing and investment both carry an element of risk. This risk is moderated through the adoption of the Treasury and Investment Strategies, compliance with the CIPFA code of Treasury Management and the retention of Treasury Management Advisors (Arlingclose) to offer expert advice.
Equalities Impact Screening	Not Applicable
Human Rights	Not Applicable
Transformational Government	Not applicable
Comments of Head of Paid Service	The report is satisfactory
Comments of Section 151 Officer	The report is satisfactory
Comments of Deputy Monitoring Officer	The report is satisfactory
Consultees	The Authority's Treasury Advisor; Corporate Leadership Team; Policy Development Group
Background papers	<a href="#">Housing Revenue Account (HRA) Business Plan</a> - Cabinet 13 March 2012 <a href="#">Investment Strategy – Service and Commercial</a> - PDG 9 January 2019 <a href="#">2019/20 to 2024/24 Draft Capital Programmes</a> - Cabinet 11 December 2018 <a href="#">Leisure Services Project</a> - Council 21 November 2017
Recommendations	<p><b>CABINET IS RECOMMENDED TO:</b></p> <ol style="list-style-type: none"> <li><b>1. RECOMMEND THE TREASURY MANAGEMENT STRATEGY STATEMENT 2019/20, TREASURY MANAGEMENT PRUDENTIAL INDICATORS - REVISED 2018/19 AND 2019/20 TO 2021/22 AND THE ANNUAL MINIMUM REVENUE PROVISION STATEMENT FOR APPROVAL BY FULL COUNCIL.</b></li> <li><b>2. RECOMMEND THE PROPOSED CHANGE IN APPROACH TO REDEMPTION OF HRA LOANS (PARAGRAPH 1.8) FOR APPROVAL BY FULL COUNCIL</b></li> </ol>

## 1.0 INTRODUCTION

- 1.1 Local Authorities are required to approve a treasury management strategy (TMSS) and an investment strategy before the start of each financial year, in line with the Chartered

Institute of Public Finance and Accountancy's 'Treasury Management in the Public Services Code of Practice 2017 Edition (the CIPFA Code).

- 1.2 CIPFA have responsibility for the Treasury Management Code of Practice and Prudential Code. The Ministry for Housing, Communities and Local Government (MHCLG) is responsible for preparing the guidance on Local Authority Investments and the guidance on Minimum Revenue Provision.
- 1.3 Investments held for service purposes or for commercial profit are considered in the Investment Strategy Report which is a separate item on the agenda for Cabinet on 5 February 2019.
- 1.4 In accordance with MHCLG Guidance, Council will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this statement is based, change significantly.
- 1.5 CIPFA has defined Treasury Management as: "the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 1.6 This report fulfils the council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code AND MHCLG Investment guidance. All treasury activity will comply with relevant statute, guidance and accounting standards.

The TMSS (Appendix 1) sets out:

- a. Organisational roles and responsibilities (section 2).
  - b. The role of the Authority's treasury advisor (section 3).
  - c. Reporting and monitoring of treasury management activity (section 4).
  - d. Background information used to determine borrowing and investment requirements (sections 5 and 6).
  - e. Borrowing (Appendix A) and debt rescheduling (Appendix B) strategies. Total Authority's interest payments on existing debt are estimated at £2,714,857 in 2019/20.
  - f. Treasury Management Investment Strategy (Appendix C). Security of capital is the first and most important investment policy objective.
  - g. Apportionment of Interest Strategy (Appendix D). Total investment income is estimated at £297,000 in 2019/20 (General Fund - £188,450, HRA - £108,550).
  - h. Treasury Management and Prudential Indicators for 2019/20 to 2023/24 (Appendix E). These are designed to monitor borrowing limits, debt levels and investment returns.
  - i. Annual Minimum Revenue Provision Statement for 2019/20 (Appendix F). General Fund MRP is estimated at £631,709.
- 1.7 The Policy Development Group considered the draft TMSS on 9 January 2019. The minutes of the meeting are included as Appendix 2 for Cabinet consideration. Members should note that the strategy is aligned to the Capital Programmes 2019/20 – 2023/24 and has been revised in line with changes in the capital programme since being presented to Policy Development Group. In particular, the assumptions regarding the value and timing of capital expenditure and the related proposed financing of the council's new leisure facility has been revised in line with the current projections.
  - 1.8 Finally, it is recommended that the council will no longer automatically set aside its budgeted HRA surpluses for the repayment of maturity loans that fall due from 2037. The self-financing of the HRA was presented to Cabinet on 13th March 2012 in the "Housing Revenue Account (HRA) Business Plan" and included the council taking on £76.785m of debt to buy itself out of the former national Housing Revenue Account Subsidy system.

Since that date, surpluses budgeted on the HRA have been set aside in a Loan Redemption Reserve for the purposes of repayment of two maturity loans when they mature. These two maturities are to be repaid in 2021/22 and are £10m and £3m. After 2022, it is proposed that the council will not automatically use any surpluses to pay into a loan redemption reserve for the repayment of maturity loans, the next of which is repayable in 2037. This will allow the council more flexibility and the ability to use future surpluses to either invest in capital improvements, new housing stock, service improvements or repayment of debt. The existing annuity loans will continue to be repaid as required.