

REPORT OF: FINANCIAL SERVICES
FINANCIAL SERVICES MANAGER

TO: EXECUTIVE

DATES: 17th MARCH 2016

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TREASURY MANAGEMENT STRATEGY STATEMENT 2016/17

PURPOSE OF REPORT

1. The purpose of the report is to present for approval the Annual Treasury Management Strategy Statement for 2016/17.

RECOMMENDATIONS

2. The Executive is recommended to submit the following to Council for approval:
 - a) the Treasury Management Strategy Statement, Minimum Revenue Policy Statement and the Annual Investment Strategy for 2016/17 at [Appendix A](#) and in particular:-
 - i) the Prudential Indicators and limits referred to in Sections 2 and 3 of the Strategy document;
 - ii) the statement by the Financial Services Manager, shown below at paragraph 9 of this report indicating compliance with the requirement to keep borrowing below the Council's Capital Financing Requirement over the medium-term;
 - iii) The policy on the Minimum Revenue Provision (Section 2.3 of the Strategy) and in particular the circumstances in which MRP may not be required.

REASONS FOR RECOMMENDATION

3. To comply with the CIPFA Treasury Management Code of Practice, the Council's Treasury Management Policy and good practice in treasury management generally.

ISSUE

4. Attached at [Appendix A](#) is the Council's Treasury Strategy Statement for 2016/17. The Strategy document sets out how the investment and borrowing operations of the Council are to be managed within the framework established by the Treasury Management Policy Statement.

5. The document also reflects the requirements of the Local Government Act 2003 which places a duty on Local Authorities to:-
 - a) determine affordable borrowing limits which are calculated in accordance with the Prudential Code for Capital Finance in Local Authorities. Sections 2 and 3 of the Strategy provides more detail of the Prudential Code and the relevant limits proposed for the Council, for 2016/17 and over the medium term period to 2018/19.
 - b) comply with s15 of the Act which requires local authorities to have regard to such guidance as may be issued by the Secretary of State for Communities and Local Government. The CLG 'Guidance on Local Government Investments' is relevant in this respect and the Annual Treasury Management Strategy Statement incorporates the Council's Annual Investment Strategy in Section 4 of [Appendix A](#).

Annual Minimum Revenue Provision Policy Statement

6. The Strategy document also includes a statement on the Minimum Revenue Provision which is a requirement arising out of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2008.
7. The Minimum Revenue Provision (MRP) is the annual charge to the Council's revenue accounts for the repayment of debt. Prior to the new regulations, the annual MRP was the result of a complex calculation based on notional amounts of debt. The regulations simplified and introduced a degree of flexibility to the calculations and also attempt, in the case of unsupported borrowing, to link the MRP charge to the estimated life of the borrowing for specific assets.
8. Details of the Council's proposed policy for the calculation of the MRP are provided in the MRP Policy Statement on page 6 of the Strategy document at [Appendix A](#). The attention of Councillors' is drawn in particular to the circumstances outlined in the MRP policy in which it is considered that no MRP will be required.

Statement on Prudential Limits

9. Members should note that the Chief Finance Officer, as the Council's s151 Officer, is required to provide a statement indicating the Council's external borrowing will not exceed the capital financing requirement over the medium term. The Strategy statement provides details that show this limit should not be breached (refer to Table in Section 3.1 on page 9 of the Strategy document for details) and as a result the Financial Services Manager provides the following statement for approval by the Council:-

"The Financial Services Manager reports that in 2014/15 the Council complied with the requirement to ensure that its gross external debt did not exceed the total of the CFR as projected over the medium-term and that this position is expected to be maintained for both 2015/16 and the forthcoming financial year. This view takes into account current commitments, existing plans, and the schemes proposed as part of the Council's capital programme as approved by the Council on 18th February 2016".

IMPLICATIONS

Policy

10. The Annual Treasury Management Strategy has been produced in compliance with the requirements of the Council's Treasury Management Policy which Council has previously approved and formally adopted specific clauses as per recommendations in the CIPFA Code of Practice on Treasury Management.

Financial

11. The financial implications associated with the Annual Treasury Strategy are incorporated in the Council's General Fund Revenue Budget for 2016/17 as approved by Council on 18th February 2016.
12. The financial implications for 2016/17 primarily reflect the external interest costs of £595k (including premia/discounts) associated with the Council's outstanding long-term debt and the Minimum Revenue Provision (a mechanism to provide for the repayment of loan principal) of £435k. Investment income for the year has been budgeted at £91k.

Legal

13. In accordance with the Local Government Act 2003, Councillors are required to approve the Annual Treasury Management Strategy incorporating the Annual Investment Strategy, the prudential indicators, and the authorised limit for external debt, which are provided in the Annual Treasury Strategy attached at [Appendix A](#).

Risk Management

14. There are no direct risk management implications arising from the contents of this report. Treasury activities are undertaken within the Council's Treasury Management Policy and risk is managed through the application of the requirements of Treasury Management Practice notes. The Strategy includes details of some of the risks associated with the Council's treasury management operations and how these will be managed.

Health and Safety

15. There are no health and safety implications arising from the contents of this report.

Climate Change

16. There are no sustainability issues arising from the contents of this report.

Community Safety

17. There are no community safety issues arising from the contents of this report.

Equality and Diversity

18. There are no equality and diversity issues arising from the contents of this report.

APPENDICES

[Appendix A](#) – Treasury Management Strategy Statement including MRP Policy and Annual Investment Strategy 2016/17.

LIST OF BACKGROUND PAPERS

None