CABINET REPORT C/17/78 – 28 FEBRUARY 2018

TREASURY MANAGEMENT STRATEGY STATEMENT (TMSS), PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION (MRP) STATEMENT 2018/19

Summary of key points for Overview and Scrutiny Committee on 27 February 2018

1. **Introduction**
   - Requirement for Full Council to approve a TMSS, Prudential Indicators for capital expenditure and a Minimum Revenue Provision Statement before the start of each financial year
   - TMSS based on spending plans in current budget cycle including a forecast for the impact of the Princes Parade development (£28m)

2. **Economic Outlook (Section 2 – Arlingclose View)**
   - Uncertainty will remain while negotiations to leave the European Union continue
   - The domestic economy has remained relatively strong since the referendum but growth is likely to be sluggish for several years
   - The Bank base rate is now expected to rise from 0.5% to 1% during 2018-19. This is mainly a response to concerns about inflation from private sector earnings growth.
   - Further detail in Appendix 1

3. **Borrowing & Investment Position (Section 3)**
   - Table at 3.1 shows the council's underlying borrowing need (Capital Financing Requirement) is forecast to rise through to 2021to £90m reflecting the council's capital investment plans for both the General Fund (including Oportunitas and Princes Parade) and HRA
   - No new borrowing is expected to be required in 2018/19 to meet the increase in the CFR as it forecast there will be sufficient cash resources available to meet this (internal borrowing)
   - However, from 2019/20 it is forecast that new (external) borrowing will be required to meet the increase in the CFR from the council's capital investment programme

4. **Borrowing Strategy (Section 4)**
   - Reiterates the message from section 3 that although the CFR will rise in 2018/19 no new borrowing is forecast to be required as this can be met from existing cash resources (internal borrowing)

- The borrowing strategy itself for 2018/19, including the sources of funding available to the council, remains unchanged from that currently in place

5. **Investment Strategy (Section 5)**
    - Broadly unchanged from the current approved strategy
    - Priority remains security then liquidity of cash invested before yield
    - Low interest rate environment continues to erode some capital value over time
    - Help to mitigate against the risk of capital erosion by continuing to diversify into asset classes that can track inflation and/or provide enhanced returns while still offering good security
    - Propose to continue to follow Arlingclose's recommended asset classes, counterparty list and credit quality information when making investment decisions and monitoring the portfolio.

6. **Financial Implications (Section 8)**
    - Welcome news that the net cost of interest to the General Fund in 2018/19 is forecast to reduce by £140k compared to the 2017/18 estimate. To be achieved, in part, by investing more of the council's cash reserves and balances in to diversified products, such as pooled funds, for longer durations providing the opportunity for enhanced returns.

7. **Capital Prudential Indicators (Section 10 and Appendix 3)**
    - Statutory requirement
    - The key ones are:
        - ➢ The Operational Borrowing Limit for 2018/19 (the maximum borrowing likely limit but not the worst case scenario) = £82m
        - ➢ The Authorised Borrowing Limit for 2018/19 (the maximum affordable borrowing limit in the short term) = £90m

8. **Minimum Revenue Provision Statement (Section 11 and Appendix 4)**
    - MRP statement broadly unchanged from that currently approved
    - As a minimum, any deviations from the approved policy in year to be identified as part of the MRP statement for the next year

9. **Recommendations – as stated**

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