CABINET REPORT C/18/71 – 20 FEBRUARY 2019

TREASURY MANAGEMENT STRATEGY STATEMENT (TMSS) 2019/20

Summary of key points for Overview and Scrutiny Committee on 19 February 2019

1. **Introduction**
   - Requirement for Cabinet to approve a TMSS before the start of each financial year
   - TMSS based on spending plans in current budget cycle

2. **Economic Outlook (Section 2 – Arlingclose View)**
   - The main influence on the UK economy remains the uncertainty surrounding the exit from the European Union
   - UK growth prospects appear to be weaker, in part linked to the uncertainty over Brexit
   - CPI inflation is around 2% and broadly in line with the Bank of England forecast. Commodity prices, in particular oil prices, continue to have a significant bearing on inflation
   - The Bank base rate is forecast to rise from 0.75% to 1.25% during 2019-20 although Brexit concerns mean there are significant downside risks to this actually happening. Longer term borrowing rates are expected to remain broadly unchanged from current levels but subject to periods of short term volatility.
   - 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 2022 to £93.4m reflecting the council's capital investment plans for both the General Fund and HRA
   - No new borrowing is expected to be required in 2019/20 to meet the increase in the CFR as it forecast there will be sufficient cash resources available to meet this (internal borrowing)
   - However, from 2020/21 it is expected 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 2019/20 no new borrowing is forecast to be required as this can be met from existing cash resources (internal borrowing)

- The borrowing strategy itself for 2019/20, 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 so the strategy proposes to continue with £15m of strategic investments providing above inflation returns to help mitigate this
    - 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 2019/20 is forecast to reduce by £200k compared to the 2018/19 estimate, mainly due to the additional yields expected from the £10m invested in diversified income funds (part of the £15m in strategic investments) during the past year.

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