

Ward: ALL
Portfolio: Finance

Report Author(s): Corporate Finance / Cllr Parham
Meeting Date: 12 December 2016

SUBJECT: Update to the Annual Treasury Management Strategy

	Seen by:	Name	Date
Report Sign off	Legal	Donna Nolan	23 November 2016
	Finance	Duncan Moss	23 November 2016
	Chief Executive	Stuart Brown	23 November 2016
	Group Manager	Paul Deal	23 November 2016
Summary:	<p>To cover the budget shortfall the Council faces, and the continued low return on cash investments, the Council is considering other sources of income. It has been identified that investing on a commercial basis will generate financial returns that contribute to enabling the council to become self –financing, or that contribute community benefits.</p> <p>In order to maximise the potential return, this report seeks to increase the £10m external borrowing limit outlined within the annual Treasury Management Strategy considered and approved by Council in February.</p>		
Recommendation:	<p>The Leader and Cabinet are recommended to agree and recommend to Full Council to increase the external borrowing limit to £20m.</p> <p>Subject to approval of the attached draft minutes of the Cabinet meeting held 5 December 2016, approval be given to increase the borrowing limit to £40m.</p>		
Direct and/or indirect impact on service delivery to our customers and communities:	<p>Any investment should contribute towards the aims of the Medium Term Resources Strategy to enable the delivery of efficient, high quality services.</p>		
Financial Implications:	<p>The investment will impact on the financing of the Capital programme and the investment return will be reflected in the revenue budgets. The aim is for the best financial return for the minimum exposure to risk.</p>		
Legal Implications:	<p>This proposal is consistent with the Council’s powers to borrow and invest under the Local Government Act 2003 and the general power of competence in Section 1 of Localism Act 2011. The decision to invest is a policy matter for individual Councils.</p>		

Crime and Disorder Implications:	None as a direct result of this report.
Equalities Implications:	None as a direct result of this report. However any investment will be subject to a separate decision that will consider key areas such as Equalities, Community Safety, Sustainability, Health and Safety, Business Risk and Privacy.
Risk Assessment and Adverse Impact on Corporate Actions:	Under the Prudential Code, the Council is free to set its own borrowing limitations as long as they are prudent and affordable. The proposal is in line with the principal regulations are the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003/3146, as amended and also has regard to CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes.

INTRODUCTION

The function of the treasury management service covers two main parts:

- to ensure that this cash flow is adequately planned, with cash being available when it is needed;
- adequately plan the funding of 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.

BACKGROUND

The Council approved its annual Treasury Management Strategy at its February meeting. Within it, a capital borrowing limit of £10m was set. Using the powers to borrow and invest under the Local Government Act 2003 and the general power of competence in Section 1 of Localism Act 2011, the council could use this funding capacity to make investments that generate financial returns that contribute to enabling the council to become self-financing, or that contribute community benefits.

OPTIONS CONSIDERED

To cover the budget shortfall the Council faces, and the continued low return on cash investments, the Council is considering other sources of income. It has been identified that investing in properties by purchasing high calibre property is an opportunity for the Council to meet the budget shortfall and develop a solid new revenue stream. In addition, there is also the potential to loan funds to third parties on a commercial basis. In all cases, any investment would be subject to a detailed business case and risk analysis.

ASSET INVESTMENT STRATEGY

An Asset Investment Strategy is being developed to help bridge the funding shortfall with the financial aim of investing in order to increase a new income stream for the Council. It will cover the rationale for any investment and the necessary governance arrangements.

The Strategy will provide the flexibility to enable the Council to maximise its investment returns through a 'mixed portfolio' approach. The expectation is that such a mixed portfolio approach to investments will contribute positively towards balancing the Medium Term Resources Strategy, stimulate business growth and provide a range of economic and social benefits across the District.

RECOMMENDATIONS

The Leader and Cabinet are recommended to agree and recommend to Full Council to increase the external borrowing limit to £20m.

Subject to approval of the attached draft minutes of the Cabinet meeting held 5 December 2016, approval be given to increase the borrowing limit to £40m.

REASONS FOR RECOMMENDATIONS

Increasing the borrowing limit will enable the authority to invest in a mixed portfolio aimed at delivering a positive contribution towards balancing the Medium Term Resources.

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List of background Papers:

- 2016/17 Treasury Management Strategy – February 2016 Council
- Draft Minute from the Cabinet meeting held 5 December 2016 – Attached.

Appendix 1 – Draft Minute from the Cabinet meeting held 5 December 2016

14	<p>Update to the Treasury Management Strategy</p> <p>The Portfolio Holder for Finance, Governance, and Corporate Services introduced a report which explained that to cover the budget shortfall the Council faced, and the continued low return on cash investments, the Council was considering other sources of income. It had been identified that investing on a commercial basis would generate financial returns that would contribute to enabling the council to become self –financing, or that would contribute community benefits.</p> <p>In order to maximise the potential return, this report sought to increase the £10m external borrowing limit outlined within the annual Treasury Management Strategy considered and approved by Council in February.</p> <p>The Report recommended that Full Council be asked to increase the external borrowing limit to £20m.</p> <p>During the discussion that followed Members agreed that the Council should be able to invest in order to help the district prosper in the future. It was further noted that interest rates were currently very low and that may be an external borrowing limit of £30m or £40m was more appropriate. Members agreed that such amounts would enable to the Council to fulfil its wishes to increase services and help businesses to prosper.</p> <p>The Chair advised that the Council must continue to be prudent with any borrowing. However, he would be prepared to accept the limit of £40m. The resolution to recommend to Full Council to increase the external borrowing limit to £40m was carried unanimously.</p> <p>RESOLVED</p> <p>To agree and recommend to Full Council to increase the external borrowing limit to £40m.</p> <p>REASON FOR THE RECOMMENDATION</p> <p>Increasing the borrowing limit would enable the authority to invest in a mixed portfolio aimed at delivering a positive contribution towards balancing the Medium Term Resources.</p>	Paul Deal
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