

AUDIT COMMITTEE

24 JANUARY 2018

UPDATE TO THE TREASURY MANAGEMENT STRATEGY STATEMENT FOR THE FINANCIAL YEAR 2018-19

Report of Alison Elsdon, Director of Finance

Cabinet Member: Councillor Nicholas Oliver – Portfolio Holder for Corporate Services

Purpose of Report

This report details changes made to the Treasury Management Strategy Statement for 2018-19 report circulated as part of the original agenda papers for the meeting.

The changes, which are relatively minor, result from a subsequent amendment to the proposed capital programme for 2018-2021 for the inclusion of a provision of £7 million per annum for a 'Loans Fund to Support Start-Up Businesses'. In addition an amendment to the main body of the report to clarify the revision to the Minimum Revenue Provision (MRP) policy has been made.

Recommendation

- Members note and approve the updates.

Link to Corporate Plan

This report supports the "We want to be efficient, open and work for everyone" priority included in the proposed NCC Corporate Plan 2017-21, due to be approved by Council in February 2018.

Key issues

This is an update to the Treasury Management Strategy Statement for 2018-19 report circulated as part of the original committee agenda papers.

SUMMARY OF REVISIONS TO THE ORIGINAL TREASURY MANAGEMENT STRATEGY STATEMENT 2018-19

1. INTRODUCTION

This report details changes made to the Treasury Management Strategy Statement for 2018-19 report circulated with the original agenda papers for the Audit Committee meeting on 24 January 2018.

Subsequent to the preparation and issue of the original report, an amendment was requested to the proposed capital programme for 2018-2021 for the inclusion of a provision of £7 million per annum for a 'Loans Fund to Support Start-Up Businesses'. This in turn impacts on the Capital Financing Requirement (CFR) and external borrowing forecasts, as identified below.

The main body of the report has also been updated to reflect the revision to the MRP policy contained at Appendix 5 for 2018-19 and retrospective adjustment to the 2017-18 MRP calculation.

2. DETAILS OF REVISIONS

2.1. Borrowing Need (Section 4.2, Page 9):

Original CFR and External Borrowing Forecasts

CFR Forecast (exc. PFI)	2018-19 £m	2019-20 £m	2020-21 £m
Opening CFR (exc. PFI)	871.36	967.00	1,044.42
Increase in CFR (exc. PFI)	95.64	77.42	44.43
Closing CFR (exc. PFI) [Need to Borrow]	967.00	1,044.42	1,088.85

External Borrowing Forecast (exc. PFI)	2018-19 £m	2019-20 £m	2020-21 £m
Opening External Borrowing (exc. PFI)	742.06	824.52	911.98
Increase in External Borrowing (exc. PFI)	82.46	87.46	41.46
Closing in External Borrowing (exc. PFI)	824.52	911.98	953.44
Under / (Over) Borrowing	142.48	132.44	135.41

Revised CFR and External Borrowing Forecasts

CFR Forecast (exc. PFI)	2018-19 £m	2019-20 £m	2020-21 £m
Opening CFR (exc. PFI)	871.36	974.00	1,058.17
Increase in CFR (exc. PFI)	102.64	84.17	50.93
Closing CFR (exc. PFI) [Need to Borrow]	974.00	1,058.17	1,109.10

External Borrowing Forecast (exc. PFI)	2018-19 £m	2019-20 £m	2020-21 £m
Opening External Borrowing (exc. PFI)	742.06	824.52	921.98
Increase in External Borrowing (exc. PFI)	82.46	97.46	51.46
Closing in External Borrowing (exc. PFI)	824.52	921.98	973.44
Under / (Over) Borrowing	149.48	136.19	135.66

2.2. Proposed Borrowing Strategy (Section 4.3, Page 9)

Section 4.3 of the report comments on the proposed level of internal borrowing and the financial implications / risks associated with this. The following table summarises changes to the figures included in this section following the above mentioned changes to the CFR and external borrowing forecasts:

	Original	Revised
Proposed level of internal borrowing (£ million)	£142.48m	£149.48m
% of internal borrowing compared to CFR	14.8%	15.4%
Foregone investment income (£ million)	£0.81m	£0.84m
Notional net saving (by borrowing internally) (£ m)	£3.32m	£3.42m

2.3. The Annual Minimum Revenue Provision Policy Statement (MRP) (Section 8, Page 18)

An amendment has also been made to main body of the report to clarify that MRP will now be provided on those long term capital debtors where principal is repaid on maturity and the loan term is greater than 5 years (such as the loans to Arch) – as set out in Appendix 5. This will also be retrospectively applied to the 2017-18 MRP calculation.

Implications

Policy	The report sets out the Treasury Management Policy Statement for 2018-19, and is consistent with “We want to be efficient, open and work for everyone” priority included in the proposed NCC Corporate Plan 2017-21, due to be approved by Council in February 2018.
Finance and value for money	The financial implications of the 2018-19 investment and borrowing transactions have been taken into account within the revenue budget for 2018-19 and Medium Term Financial Plan 2018-22. Northumberland County Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management within the context of effective risk management, and to employing suitable performance measurement techniques, for example comparison with other members of the CIPFA and Link benchmarking clubs.
Legal	The Local Government Act 2003 (the Act) and supporting regulations requires the Council to ‘have regard to’ the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice (which were adopted by Northumberland County Council in February 2010).
Procurement	There are no direct procurement implications for the County Council.
Human Resources	There are no direct staffing implications for the County Council.
Property	There are no direct property implications for the County Council.
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	Not applicable for the County Council.

Risk Assessment	The report highlights the principal financial risks within the Treasury Management function. The identification, monitoring and control of risk are the prime criteria by which the effectiveness of the County Council's Treasury Management activities will be measured. Accordingly, the analysis and reporting of Treasury Management activities will focus on their risk implications for the Council. The investment priority is security and liquidity rather than yield, which is a secondary aim.
Crime & Disorder	There are no Crime and Disorder implications for the County Council.
Customer Consideration	There are no Customer Considerations for the County Council.
Carbon reduction	None.
Wards	All divisions.

Report sign off:-

	Name
Finance Officer	Alison Elsdon
Monitoring Officer/Legal	Liam Henry
Human Resources	Not applicable
Procurement	Not applicable
I.T.	Not applicable
Chief Executive	Daljit Lally
Portfolio Holder(s)	Nick Oliver

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