

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date **14 March 2016**

Report of: **Director of Finance and Resources**

Subject: **TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL
INDICATORS 2016/17**

SUMMARY

Regulations require the Council to prepare and formally approve both an annual Treasury Management Strategy and Prudential Indicators. The document for 2016/17 is attached as Appendix A and was endorsed by the Executive on 8 February 2016 and submitted to Council for approval on 19 February 2016.

Main highlights in the Strategy are:

- a) In 2016 the Council will be switching treasury management consultants from Capita Asset Services to Arlingclose, as a result of a tender exercise.

Capital Issues

- b) The level of capital expenditure estimated for 2016/17 is £20.6 million which is slightly less than in 2015/16. We currently estimate that £5.8 million of this will be met by new borrowing.
- c) There will be a slight increase in the cost of capital as a % of net revenue stream in 2016/17. There is also an increase in the amount of council tax and housing rents that are contributing to the cost of the capital expenditure due to new borrowing in 2016/17.
- d) The Council is required to put aside resources to repay debt used to finance capital expenditure and establish a Minimum Revenue Provision policy statement on how we are going to calculate these resources. This policy has been included for the first time in the Strategy. We are choosing to adopt as our policy: *charging the expenditure over the expected useful life of the relevant assets on an annuity basis, starting in the year after the asset becomes operational.*

Treasury Management Issues

- e) There are no changes to the Council's investment and borrowing policy.
- f) The external fund management service with Tradition will come to an end in April 2016 and therefore all investments will be managed in-house

RECOMMENDATION

That the Treasury Management Strategy and Prudential Indicators for 2016/17, attached as Appendix A to this report, be noted.