

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 06 February 2017

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Treasury Management Strategy and Prudential Indicators 2017/18</b>
<b>Report of:</b>	Director of Finance and Resources
<b>Strategy/Policy:</b>	Finance and Treasury Management Strategies
<b>Corporate Objective:</b>	A dynamic, prudent and progressive Council

#### **Purpose:**

This report considers the draft Treasury Management Strategy Statement and Prudential Indicators for 2017/18, prior to its submission to the Council for approval.

#### **Executive summary:**

Regulations require the Council to prepare and formally approve both an annual Treasury Management Strategy and Prudential Indicators. The document for 2017/18 is attached as Appendix A for consideration by the Executive before being submitted to Council for approval.

Main highlights in the Strategy are:

#### **Capital Issues**

- a) The level of capital expenditure estimated for 2017/18 is £30.4 million. We currently estimate that £19.7 million of this will be met by new borrowing.
- b) There will be an increase in the amount of council tax contributing to the cost of capital expenditure, due to new borrowing in 2016/17 and 2017/18.
- c) The Minimum Revenue Provision (MRP) policy statement has been amended to reflect assets that are held for less than 5 years. MRP will not be charged on these assets but the capital receipt generated by the sale of the asset will be used to repay the debt instead.

#### **Treasury Management Issues**

- d) The Council's treasury management advisers changed in 2016 to Arlingclose. The approved counterparty list has been amended to reflect Arlingclose's recommended layout.

- e) Unsecured bank limits per counterparty have reduced from £6 million to £2 million and the limit on money market funds has reduced from £6 million to £4 million per fund. This is to reflect the increasing risks and falling returns of short-term unsecured bank investments.
- f) Building Society limits have also changed from investments in all building societies with assets in excess of £5 billion to those only meeting the minimum credit rating criteria in the Strategy.

**Recommendation:**

That the Executive:-

- (a) endorses the draft Treasury Management Strategy and Prudential Indicators for 2017/18, attached as Appendix A to this report; and
- (b) submits the report to Council for approval.

**Reason:**

In accordance with the Code of Practice for Treasury Management in the Public Services and guidance from the Department of Communities and Local Government (DCLG), the Treasury Management Strategy and Prudential Indicators have to be approved by full Council.

**Cost of proposals:**

Not applicable

**Appendices:** Appendix A - Treasury Management Strategy and Prudential Indicators 2017/18

**Background papers:** None

**Reference papers:** None

**Enquiries:**

For further information on this report please contact Caroline Hancock (Ext 4589)