Item 8

EXTRACT MINUTE OF THE AUDIT COMMITTEE HELD ON 21 JANUARY 2019

TREASURY MANAGEMENT & MINIMUM REVENUE PROVISION STRATEGY STATEMENT - 2019/20

Members considered a report which sought approval to recommend to Council the adoption of the Authority’s Treasury Management Strategy including Annual Investment Strategy and Minimum Reserve Position Strategy for 2019/20 together with the Prudential Indicators for the next three financial years (2019/20 to 2021/22).

The Group Accountant briefed Members on an assessment of the functions and provisions of the strategy which sought to ensure that the Council’s cash flow was adequately planned to ensure that cash was available when needed. It was reported that one of the main functions of the strategy is to ensure that surplus monies are invested in low risk counterparties commensurate with the Council’s low risk appetite, providing liquidity initially before considering investment return. Members were made aware that the second main function of the Treasury Management service is the funding of capital plans, which provide a guide to the borrowing need of the Council, which essentially is the longer term cash flow planning to ensure that the Council can meet its capital spending obligations.

It was reported that the Treasury Management & Minimum Revenue Provision Strategy for 2018/19 covers the following 2 main areas;

1. Capital Issues:

• the capital plans and the prudential indicators

• Minimum Revenue Provision (MRP) Policy

2. Treasury Management Issues:

• the current treasury position

• treasury indicators which will limit the treasury risk and activities of the Council

• prospects for interest rates

• the borrowing strategy

• policy on borrowing in advance of need

• debt rescheduling

• the investment strategy

• creditworthiness policy

• policy on use of external service providers

With regards to Treasury Management training, Members were informed that the CIPFA Code requires a responsible officer to ensure that members with responsibility for treasury management scrutiny receive adequate training. It was added that training was provided to Members on the Council’s Treasury Management and MRP Strategy in January 2019 and further training will be arranged as required. It was reported that a number of questions were raised by Members during the training sessions in relation to the Council’s Long Term Financial Strategy, the Ratio of Financing Costs to Net Revenue Stream and MiFID II. It was added that, following the training session, the Group Accountant had supplied the responses to the questions to Committee Members by email prior to the Audit Committee meeting.

A Non-Elected Independent Member sought more clarity on the figures in relation to the Ratio of Financing Costs to Net Revenue Stream and in particular the General Fund figures. The Financial Services Manager informed that Committee that the figures take into account technical calculations that are applied, which are governed by strict rules placed on local authorities.

A Non-Elected Independent Member queried whether as part of any financial forecasts that Council tax applied to ongoing housing developments should be included in the figures. The Financial Services Manager informed the Committee that to be prudent the Council does not include any non-completed housing developments within the forecast figures. One Member added that any council tax figures depend on how long it takes to sell a new property and for house buyers to move in which is variable.

Further to a Member query, the Committee were informed that Council’s current asset investment consultants are Lambert Smith Hampton Investment Management (LSHIM) and their annual fee is approximately £30k.The Group Accountant added that following the meeting he will email the Committee with the exact figures.

RESOLVED - To be recommended to Council:

(i) That the proposed Treasury Management Strategy 2019/2020, including Prudential and Treasury Indicators for 2019/2020 to 2021/2022, be approved.

(ii) That the Annual Minimum Revenue Provision (MRP) Strategy as detailed in Appendix 7 be approved and implemented from the 1 April 2019, specifically:

• Option 1(“Regulatory Method”) be used to calculate the MRP on any future supported borrowing

• That the “Future Cash Flow/ Impairment Method” be used for unsupported borrowing financing the acquisition of investment properties.

• Option 4 (“Depreciation Method”) be used to calculate the MRP in the case of any future unsupported borrowing (excluding investment properties).

(iii) That all future reports considered at Council which involve borrowing to support capital expenditure (excluding Housing Revenue Account (HRA) schemes) contain an assessment of additional MRP costs as this will have an impact on future revenue budgets.