REPORT OF THE CORPORATE COMMITTEE
TO COUNCIL 25 February 2019

Chair:
Councillor Isidoros Diakides

Deputy Chair:
Councillor Dana Carlin

INTRODUCTION

1.1 This report to Full Council arises from the report on the updated Treasury Management Strategy Statement for 2019/20 – 2021/22, considered by the Corporate Committee at their meeting on the 5 February 2019.

SUMMARY

<u>Treasury Management Strategy Statement 2018/19 – 2020/21</u>

2.1 We considered the report on the Treasury Management Strategy Statement (TMSS) 2019/20 – 2021/22, introduced by Thomas Skeen, Head of Pensions. We noted that the Council needs to borrow money in order to fund capital investment. The Council's strategy complied with statutory guidance from the CLG, and CIPFA. We noted that overall level of borrowing was due to increase significantly during 2019/20 – 2021/22. The increase in borrowing was largely in response to the government's decision to lift the HRA debt cap. The Council is only able to borrow what it can afford to pay back through its revenue budget and we noted that the Council will remain well within its debt ceiling for each of the years covered by the strategy.

2.2 We noted the key elements of the proposed strategy being considered as outlined in appendix 1 of the report, namely how much borrowing the Council needs to do, where temporary surplus cash should be invested and the Prudential Indicators.

2.3 The Committee were advised that Overview and Scrutiny Committee considered the TMSS at their meeting on 28th January. We note that the Overview and Scrutiny Committee agreed the Strategy and that there were no formal recommendations made to Corporate Committee. During its meeting on 28th January, OSC sought assurances about additional pressures on revenue accounts arising from the Council significantly increasing its levels of borrowing. In response, officers advised that interest rate costs and the costs of increased borrowing were factored into the MTFS.

2.4 A summary of the key points raised by Corporate Committee in respect of the TMSS are set out below:

- The Committee noted that the majority of newly introduced capital schemes were self-financing, i.e. the net cost to the Council was neutral, either because there was a revenue generated to offset the interest or because it generated a saving elsewhere.

- We note that that borrowing is staggered over the duration of the strategy to ensure that capital funding is available when it's needed.

- The Committee raised concerns in relation to LOBO loans and commented that a number of local authorities had taken specific lenders to court over these loans. In response, officers advised that the court cases were in relation to a specific type of LOBO which were linked to the LIBOR rate. We noted that it was very unlikely that the Council would be able to walk away from its loans and that the interest rate paid was similar to other rates available at that time. The Council would continue to monitor the LOBO loans and would seek to refinance them if it became finically prudent to do so.

- The Committee sought assurances around whether the Council's Minimum Revenue Provision for pre 2008 expenditure was sufficient at 2%. We noted that this rate was broadly similar to many other council's and that officers were satisfied with this rate.

WE RECOMMEND

3.1 That Full Council approve the Treasury Management Strategy Statement for 2019/20 – 2021/22.