REPORT OF THE CORPORATE COMMITTEE No. 2, 2019/20

COUNCIL 24 February 2019

Chair: Councillor Isidoros Diakides	Deputy Chair: Councillor Mike Hakata

INTRODUCTION

1.1 This report to Full Council arises from the Treasury Management Strategy Statement (TMSS) 2020/21, which was considered by the Corporate Committee at their meeting on the 3rd February 2019. Prior to its submission to Corporate Committee, the report had also been considered by Overview and Scrutiny Committee at its meeting on 23rd January. The report sets out the Council's borrowing and investment strategies, along with the associated risks.

1.2 The CIPFA Treasury Management Code of Practice requires the Authority to approve a Treasury Management Strategy before the start of each financial year. CIPFA requires that the Treasury Management Strategy Statement is formulated by the Committee responsible for the monitoring of treasury management (Corporate Committee) before being approved by Full Council.

SUMMARY

<u>Treasury Management Strategy Statement 2020/21</u>

2.1 We considered the Council's Treasury Management Strategy Statement for 2020/21 and received advice from the Head of Pensions, Treasury and Chief Accountant as well as Arlingclose, the Council's external Treasury advisor. We also took account of the Comments provided by the Overview and Scrutiny Committee on 23rd January. The Council has an increasing need to borrow in order to fund the capital programme. As part of this, the authority will maintain borrowing and investments below their underlying levels, by utilising internal borrowing. The report sets out the Council's response to the increase in borrowing rates from the Public Loan Works Board and allows for the possibility of the Council diversifying its treasury investments in response. The report also sets out the Minimum Revenue Provision Policy Statement.

2.2 We sought assurance around the 30% upper limit on short term borrowing and questioned whether a greater proportion of borrowing should be done on a long term basis, given the risk of interest rate rises and the amount of money that was required to invest in key areas such as housing. We received advice from the Head of Pensions, Treasury and Chief Accountant that the Council needed to adopt a balanced approach to meet its overall borrowing needs. We also received advice that the revenue costs associated with short term borrowing were lower than long term borrowing. Officers were clear that they considered the 30% upper limit to be prudent. Many local authorities had a much higher proportion of short-term borrowing than Haringey.

2.3 We endorsed the 30% upper limit for short-term borrowing and acknowledge the need for the Council to borrow money in the most cost effective manner. We suggest that the 30% upper limit is something that should be kept under review going forwards. The Committee also feel strongly that the Council's key consideration when borrowing money should be that it is undertaken on the basis of minimum risk.

2.4 We sought assurances around how a change in the MRP policy would impact the Council, particularly in relation to the increased borrowing levels set out in the TMSS. In response, officers clarified that the MRP was effectively an accounting construct that provided a mechanism for the Council to charge local tax payers for the depreciation of assets such as schools, and so was not subject to changes in interest rates in the way that interest on loans were.

2.5 We also questioned officers about whether the Council was at risk of overpaying on its MRP again. In response, we were advised that the basis for calculating MRP costs had moved to an annuity basis, which provided the lowest available position over the course of the current MTFS.

2.6 The Committee also sought assurances about the impact of Brexit on the Council's borrowing needs. The Head of Pensions, Treasury and Chief Accountant set out that that most of the borrowing that the Council had was fixed rate, so the Council is largely protected from sudden interest rate increases. Officers met regularly with Arlingclose to closely monitor the Council's borrowing needs and discuss potential risks. Arlingclose have advised officers that large scale interest rate increases are very unlikely and that it is much more likely that a decrease in interest rates would occur.

WE RECOMMEND

That Full Council agree the Treasury Management Strategy Statement 2020/21 as attached.