

Changes to Treasury Management Strategy for 2017/18

A large proportion of the Treasury Management Strategy remains the same as last year but this appendix aims to highlight any significant changes made on the previous year's Strategy.

The Prudential Indicators in Section 2 of the Strategy have been updated to reflect the latest figures approved by Council, with borrowing increasing to £80 million in 2017/18 and the level of investments expected to remain around £25 million until 2019/20.

Section 3 of the Strategy has been expanded when compared to last year as a result of the Council approving borrowing to finance the acquisition of commercial property. The CFR has increased as a result of this and in 2017/18 this reflects the £80 million approved borrowing agreed by Council in February 2017 less any MRP contributions made from revenue in that year.

This section also includes a forecast for PWLB borrowing rates as the Council now has long term debt the prospects for interest rates on loans becomes more critical and should influence the Council's strategy on any future borrowing.

The Annual Investment Strategy in section 4 has been amended from previous years with a request to increase counterparty limits to £5 million from £2.5 million. The reason for this is that since 2008 the credit ratings for eligible counterparties has reduced substantially and this has resulted in fewer institutions available for the Council to place investments. Independent advice was sought to allow for more effective investment of Council funds, and it was suggested that the Council should look to increase individual counterparty limits rather than allow investment with lower grade institutions.

In Section 5 the Strategy recommends a policy for the Council's treatment for MRP, with Asset Life Method being suggested it means that MRP over the period of the life of asset or loan (for property), eg £10m 50 year loan for acquisition of a property will make a charge to revenue of £200,000 per annum.

Section 6 provides an economic update from our independent financial advisors, Capita. This provides economic forecasts for UK and other world economies.

The Treasury Management practices set on in Section 7 have been updated to reflect the changes made in Section 4 of this Strategy.

Section 8 provides an updated list of approved countries for investment, new for 2017/18 are Finland, Hong Kong, USA, UAE, France, Qatar and Belgium.