

Treasury Management Strategy Update and Mid-Year Report

1. Introduction

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body.

2. Key Changes to the Treasury and Capital Strategy

Since the approval of the Treasury strategy in February further plans for capital expenditure have been put forward in the HBC Regeneration Strategy which was approved by Council on 7th November 2018. These plans propose borrowing up to £200M over five years which requires the prudential indicators within the treasury strategy to be updated and approved to allow this project to proceed. Please review the regeneration strategy for further details of this project. It should also be noted that the £200M is a maximum limit, and the exact timing of draw downs will be subject to the more detailed delivery plan, any capital receipts generated or funding from external partners, and an assessment of the most financially viable time to borrow.

The impact of the proposed changes are summarised within the prudential indicators in section 3 below. It is recommended that these prudential indicators are approved by council to allow for the regeneration strategy to commence.

3. The Council's capital position (Prudential Indicators)

The previous Treasury Strategy and the prudential indicators require revising in light of this proposed increase in investment activity. These indicators also reflect the increased expenditure for the flood and coastal erosion scheme.

3.1 Capital Expenditure

The table below shows the revised plans for the council's total capital expenditure and how much of it is financed. These figures show what would happen at the maximum planned expenditure for the new plans so the actual results may well be lower than the plan below. In this instance less financing will need to be sought after from external partners or the borrowing requirement will be reduced.

Capital Expenditure	2018/19 Original £'000	2018/19 Revised £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Capital Expenditure	797	2,554	82,345	73,920	58,920
Capital Financing	797	1,997	30,367	25,587	25,587
Borrowing Requirement	-	557	51,978	48,333	33,333

3.2 Capital Financing Requirement

This prudential indicator shows the underlying need to borrow to fund the capital programme.

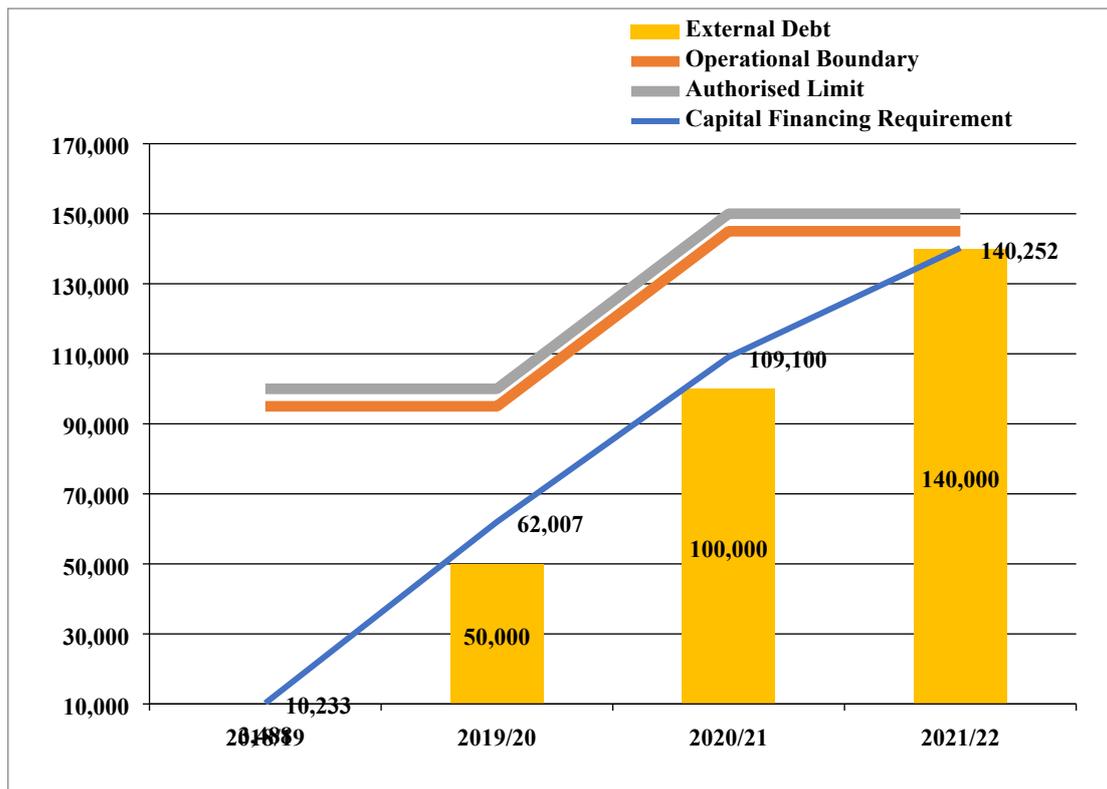
Capital Financing Requirement (CFR)	2018/19 Original £'000	2018/19 Revised £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Opening CFR	5,335	9,781	10,233	62,007	109,100
Unfinanced Capital Expenditure	-	557	51,978	48,333	33,333
MRP	(105)	(105)	(204)	(1,240)	(2,182)
Closing CFR	5,230	10,233	62,007	109,100	140,252

3.3 Limits for External Debt

One of the principle controls over treasury activity is the prudential indicator that ensures net borrowing does not exceed the total CFR to be incurred in the next two financial years. In order to comply with this prudential indicator the limits need to be increased to meet the new borrowing requirements.

Borrowing Limits	2018/19 Original £'000	2018/19 Revised £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Operational limit	8,000	95,000	95,000	145,000	145,000
Authorised Limit	10,000	100,000	100,000	150,000	150,000
Other Long Term Liabilities	500	500	500	500	500

These new limits are compared against the CFR & borrowing that could be incurred in the chart below:



3.4 Borrowing Position

The councils opening CFR for 2018/19 was £9,781k enabling the council to borrow up to this amount for capital purposes. Currently the council only has one loan which it has taken from the PWLB to fund the previous project of renovating the Civic Plaza.

Current Borrowing	Original Principal £'000	Rate %	Length (Years)	Current Balance £'000
PWLB (from 16/03/2012)	4,000	4.04	30	3,488

It is anticipated that further borrowing will be required either late in 2018/19 or will commence in 2019/20. There is flexibility for the council to use internal reserves until this point to enable the S151 Officer to make a decision based on interest rate movements and timings of spending commitments incurred during the capital projects.