Investment and Borrowing Strategy 2016/17

Committee considering report:	Council on 1 March 2016
Portfolio Member:	Councillor Roger Croft
Date Portfolio Member agreed report:	19 January 2016
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Forward Plan Ref:	C2976

1. Purpose of the Report

1.1 In compliance with The Local Government Act 2003, this report summarises the Council's borrowing limits as set out by CIPFA's Prudential Code, and recommends the Annual Investment and Borrowing Strategy for 2016/17.

2. Recommendations

2.1 To adopt the 2016/17 investment and borrowing strategy

2.2 Formulation of Treasury Management Policy in compliance with the Local Government Act 2003 and the CIPFA's Prudential Code and Code of Practice for Treasury Management.

3. Implications

3.1	**Financial:**	Investment Income and Debt Charges form part of the Council's revenue budget.
3.2	**Policy:**	The Treasury Management Strategy for the new financial year is in accordance with the Local Government Act 2003 and CIPFA's Prudential Code and Code of Practice for Treasury Management.
3.3	**Personnel:**	None
3.4	**Legal:**	None
3.5	**Risk Management:**	The policy is intended to ensure that all borrowing and investment is undertaken with a view to minimising risk and exposure to financial loss.
3.6	**Property:**	None
3.7	**Other:**	None

4. Other options considered

4.1 Not applicable.

5. Executive Summary

5.1 Introduction

This report sets out the framework within which the Treasury Management Team will conduct the council's investments and borrowing for the coming financial year. It recommends prudential limits for investments in 2016/17 and borrowing limits for the next three years.

5.2 Proposals

The report recommends prudential limits for exposure to borrowing at fixed and variable rates of interest, the maturity structure of borrowing, the types of institutions with which the Council will invest its funds and their minimum credit ratings. For 2016/17 we propose to increase the maximum limit for investments with banks rated P2 by Moody's from £2,500,000 to £4,000,000 and for P3 from £2,500,000 to £3,000,000. This will mean that the maximum to be invested with Nat West, which is our main bank, will be £4,000,000 and the bank limits will be brought in line with the existing building society limits. We also propose to consider investing for longer term of up to 2 years if funds allow and market conditions are favourable.

We propose to increase the Council's maximum borrowing limits by £11 million (to £173 million) in 2016/17, by a further £4 million (to £177 million) in 2017/18 and by £1 million (to £178 million) in 2018/19. The increases in borrowing limits over the next three years are to allow for the planned level of borrowing to fund the proposed capital programme (also taking into account the planned level of debt repayment). The increase in the borrowing limit in 2016/17 is £3 million higher than previously estimated because of the planned use capital receipts in 2016/17 to offset the cost of transforming and restructuring services to generate revenue savings.

5.3 Equalities Impact Assessment Outcomes

This item is not relevant to equality.

6. Conclusion

6.1 The strategy sets the underlying principles by which the Council's annual investment and borrowing activity will be managed for the 2016/17 financial year. These proposals form part of the Council's overall Treasury and Capital Strategy and are aligned with the proposed Capital Strategy (also on this agenda) and the requirements of the Prudential Code.

A report on the actual performance of the Treasury Team in managing the Council's loans and investments for the whole of 2015/16 will be brought to Executive after the end of the financial year.

7. Appendices

7.1 Appendix A – Detailed Investment and Borrowing Strategy 2016/17

7.2 Appendix B – Equalities Impact Assessment –N/A

7.3 Appendix C – Forecast Level of Debt and Debt Repayments 2015/16 to 2040/41