

Wiltshire Council

Council

10 July 2018

Subject: Amendment to Treasury Management Strategy

Cabinet member: Councillor Philip Whitehead - Finance

Executive Summary

The Council adopted a Treasury Management Strategy and an Annual Investment Strategy at its meeting on 7 February 2017. (Minute 7 refers)

Following a report from officers, Cabinet agreed to recommend to Council that amendments be made to the Strategy. The relevant extract from the report and the minute is available in this paper.

Proposals

1. To approve an amendment to the Treasury Management Strategy 2018/19, to include a new class of alternative investments to the available list of non-specified investments (as set out in report).

2. To approve an amendment to the Minimum Revenue Provision Policy, to allow for an alternative method of calculation, where appropriate (as set out in report).

Reasons for Proposals

To agree to a revision to the Treasury Management Strategy 2018/19 and the Minimum Revenue Provision Policy 2017/18 in order to continue to comply with statutory guidance and reflect best practice.

Ian Duncan

Interim Director of Finance and Procurement

Extract from Cabinet report regarding Treasury Management

Treasury Management Strategy Statement 2018/19

1. The Treasury Management Strategy Statement 2018/19 was approved by the Council in February 2018. However, since that date, it is proposed that a new class of 'alternative investments' is added to the available list of non-specified investment instruments. These instruments offer increased returns in the current low interest rate environment whilst still meeting the DCLG requirements for security, liquidity and yield. This would include asset backed securities and asset backed pooled investment funds, which are secured against real assets such as green energy, timber or property. Any proposed investment of this nature would be the subject of a further report.

Minimum Revenue Provision (MRP) Policy 2018/19 and onwards

2. The Minimum Revenue Provision Policy 2017/18 was approved by the Council in February 2018. It was recommended and agreed that MRP will be provided for in accordance with existing practice on a 2% straight line basis, i.e. provision for the full repayment of debt over 50 years.
3. However, for certain investment projects it may be deemed more prudent to use the asset life annuity method in order to calculate MRP. In this case the MRP calculation will be based on the prevailing PWLB interest rate for a loan with a term equal to the estimated life of the asset.

The full report can be accessed here:

https://cms.wiltshire.gov.uk/documents/s144996/Report_TreasuryManagement_AnnualReport.pdf

Extract from Cabinet minutes of the meeting held on the 13 June 2018

Councillor Philip Whitehead presented the report which provided the annual review following the end of the year describing the activity compared to the treasury strategy.

Matters highlighted in the presentation and discussion included: how the borrowing and investments are managed over the course of the year; the changes proposed to the strategy; the revenue benefits arising from investment decisions; that the council will prioritise using its own cash for investment rather than requiring borrowing; how risks will be identified for future individual investment decisions; and that the council would normally look to invest over the longest appropriate period.

Resolved

- a) To note that the contents of this report are in line with the Treasury Management Strategy 2017/18.**

Recommend to Full Council

- b) To approve an amendment to the Treasury Management Strategy 2018/19, to include a new class of alternative investments to the available list of non-specified investments (as set out in report).**
- c) To approve an amendment to the Minimum Revenue Provision Policy, to allow for an alternative method of calculation, where appropriate (as set out in report).**

Reason for Decision

To give members an opportunity to consider the performance of the Council against the parameters set out in the approved Treasury Management Strategy for 2017/18.

To agree to a revision to the Treasury Management Strategy 2018/19 and the Minimum Revenue Provision Policy 2017/18 in order to continue to comply with statutory guidance and reflect best practice.