

TREASURY MANAGEMENT – UPDATED BORROWING LIMITS 2017-18 TO 2020/21

Relevant Portfolio Holder	Councillor Brian Cooper
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering
Wards Affected	All
Ward Councillor Consulted	None specific
Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 To present to Members a recommendation to revise the operational and authorised limit for borrowing purposes as included within the Treasury Management Strategy to reflect the potential impact of the acquisitions and investments strategy as presented to this meeting. In addition the report explains the savings resulting from the advance payment of the pension contributions.

2. RECOMMENDATIONS

- 2.1 The Cabinet is asked to **RECOMMEND** to Full Council:

2.1.1 the Operational Limit for borrowing be increased as follows:-

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Operational Limit brought forward	12.0	20.0	23.0	26.0
Add Pension Advance Payment	6.0	-2.0	-2.0	4.0
Add Acquisitions and Investment Strategy	2.0	5.0	5.0	8.0
Revised Operational Limit for approval	20.0	23.0	26.0	38.0

2.1.2 the Authorised Limit for borrowing be increased as follows:-

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Authorised Limit brought forward	15.0	23.0	26.0	29.0
Add Pension Advance Payment	6.0	-2.0	-2.0	4.0
Add Acquisitions and Investment Strategy	2.0	5.0	5.0	8.0
Revised Authorised Limit for approval	23.0	26.0	29.0	41.0

3. KEY ISSUES

Financial Implications

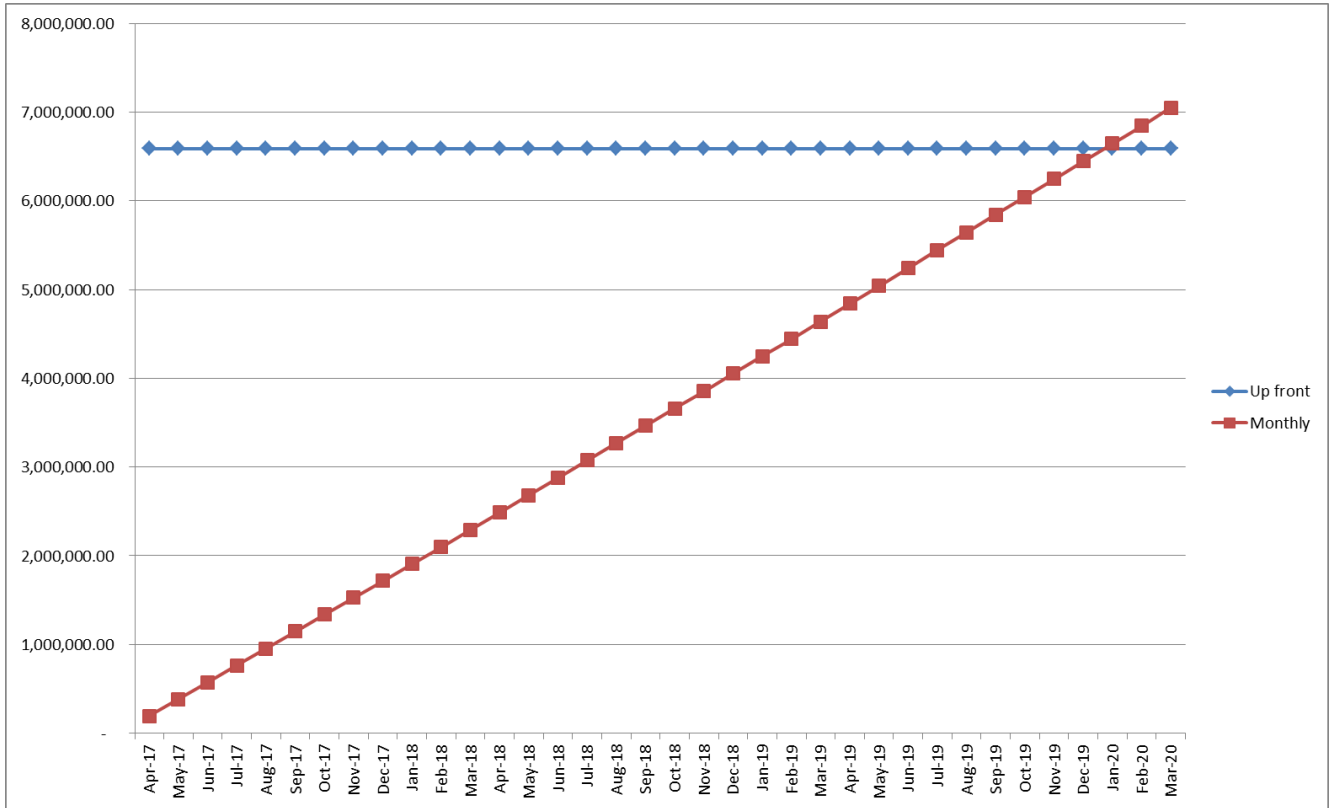
Pension Advance payment

- 3.1 The authorised and operational borrowing limits for 2017/18 were approved by the Council in March 2017 as part of the Treasury Management Strategy Statement and Investment Strategy. The limits can be updated during the financial year if necessary.
- 3.2 The request to increase the borrowing limits in 2017/18 to reflect the potential increase in borrowing as a result of the pension advance payment made in April did not provide the details of the cashflow implications over the three financial years covered by the advance payment. The cashflow implications are presented in the diagram overleaf which show the comparison of an advance payment compared with the monthly payment of the pension obligations.
- 3.3 The table after the diagram shows the savings over the financial years allowing for borrowing costs. The average saving over the three years is £137k (£411k divided by 3). The discount provided by Worcestershire Pension Fund reflects the period of the advance payment so the highest discount is received for year 3 where the payment has been made three years early. The borrowing costs assumes interest rates of 0.25% 2017/18, 0.75% 2018/19 and 1.0% 2019/20. The increased interest cost in 2018/19 reflects the increased assumed interest rate.

BROMSGROVE DISTRICT COUNCIL

CABINET

6th September 2017



<i>Savings from advance payment of Pension Contributions</i>	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Discount received for advance payment	91	151	215	457
Cost of borrowing	-13	-23	-10	-46
Net Saving	78	128	205	411

Acquisition and Investment Strategy

- 3.4 The request for increased borrowing limits are based on the Acquisition and Investment Strategy considered previously on this agenda. The value of the potential investments would be £20m by 2020/21. This is phased over the 4 years at 2.1.1.

- 3.5 The Strategy seeks to combine the economic development and income generation to enhance business growth in Bromsgrove and provide a

source of income to help balance the budget. The approach is similar to that of other authorities that are active in this area.

Legal Implications

- 3.9 This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.

Service/Operational Issues

- 3.11 The forward funding of the Pension Fund payments has achieved a £411k saving over three years.
- 3.12 The Economic Development Investment Strategy will complement the priority for business growth in Bromsgrove as well as seek income generation to help balance the Council budget.

Customer/ Equalities and Diversity

- 3.6 None as a direct result of this report.

4. RISK MANAGEMENT

- 4.1 Failure to manage the Treasury Management function effectively to ensure the delivery of maximum return within a secure environment. Controls in place to mitigate these risks are as follows:
- Regular monitoring of the status of the organisations we invest with
 - Daily monitoring by internal officers of banking arrangements, borrowing limits and cash flow implications.

AUTHOR OF REPORT

Name: Jayne Pickering
Email: j.pickering@bromsgroveandredditch.gov.uk