RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

COUNCIL

27TH MARCH 2019

TREASURY MANAGEMENT STRATEGY INCORPORATING INVESTMENT STRATEGY, TREASURY MANAGEMENT INDICATORS AND MINIMUM REVENUE PROVISION (MRP) STATEMENT FOR 2019/2020

REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES

AUTHOR:- Barrie Davies (01443) 424026

1.0 PURPOSE OF THE REPORT

1.1 The purpose of the report is to set out the Council's:-

- Treasury Management Strategy for 2019/20;
- Investment Strategy for 2019/20;
- Treasury Indicators for 2018/19 (actuals to date) and 2019/20, 2020/21 and 2021/22; and
- Minimum Revenue Provision (MRP) Policy Statement.

2.0 RECOMMENDATIONS

It is recommended that Members:

2.1 Approve the Treasury Management Strategy, Investment Strategy, Treasury Indicators and the Minimum Revenue Provision (MRP) Policy Statement as set out in the report.

3.0 INTRODUCTION

3.1 CIPFA defines Treasury Management as:
"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

3.2 The Local Government Act 2003 and supporting regulations require the Council to have regard to the CIPFA (Chartered Institute of Public Finance and Accountancy) Treasury Management Code of Practice and the CIPFA Prudential Code. This report also meets the requirements of Welsh Government MRP Guidance and Welsh Government Investment Guidance.

3.3 This Treasury Management Strategy Statement details the expected activities of the Treasury Management function in the forthcoming financial year (2019/20).

3.4 To supplement the CIPFA Code of Practice, the Welsh Government has issued Guidance on Local Government Investments which require local authorities to report their Investment Strategy. A key requirement of the guidance is to explain management of risk associated with Treasury Management activity. Reports on actual activity will be produced after the year end and also following a mid year review. Such reports, including this strategy are subject to Member scrutiny.

3.5 The Prudential Code is produced by the CIPFA and is underpinned by the Local Government Act 2003 and the Capital Financing Regulations (Wales) 2004. The Code sets out a framework for self regulation of capital spending, in effect allowing Councils to invest in capital projects without any limit as long as they are <u>affordable</u>, <u>prudent</u> and <u>sustainable.</u>

3.6 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires revenue costs from capital financing decisions to be included in the budget requirement.

3.7 The implementation of MiFID II (Market in Financial Instruments Directive) reclassifies local and public authorities as retail investors, by default, from 3rd January 2018. Such a reclassification would increase costs for financial advice and potentially restrict access to certain financial products. To avoid such additional costs and restrictions the Council has elected for a return to professional status ("opt up") in order to ensure there is access to the full range of services and products required. The conditions of professional status require local authorities to have an investment balance of at least £10M and the person authorised to make the investment decision must have at least one year's relevant professional experience. The Council's money market brokers and treasury management advisors have confirmed our professional client status.

4.0 <u>TREASURY MANAGEMENT STRATEGY 2019/20</u>

4.1 The proposed Treasury Management Strategy for 2019/20 is based on officers' views on likely interest rates, supplemented with forecasts provided by the Council's independent treasury advisors. The strategy covers:

- Current Portfolio Position
- Prospects for Interest Rates
- Borrowing Strategy (including borrowing in advance of need)
- Debt Rescheduling Opportunities

4.2 Information is also provided on the use of Treasury Management advisors and relevant training that has taken place.

5.0 Current Portfolio Position

5.1 The Council's treasury portfolio position as at the end of December 2018 comprised:

		£M	Av. Rate
Debt			
Fixed Rate	PWLB	148.697	3.54%
	Market	54.500	5.00%
	Market(LOBO)	31.000	4.50%
Variable Rate	Market	82.000	0.67%
		316.197	**3.14% ***
Investments			
Variable Rate	Public Bodies	9.600**	0.41%

* Estimated weighted average rate of borrowing for 2018/19 is 3.56%
** Does not include investment with Trivallis

5.2 A LOBO is a financial instrument called a "Lender's Option Borrower's Option". It provides a lower rate of interest for the initial period and a higher rate for the rest of its term (reversionary period), albeit that the higher rate was comparable with interest rates prevailing at the time the loans were taken. At the end of the initial period and at six monthly intervals, the lender has the option to increase the interest rate payable. This provides the Council with the option to repay the loan if the terms are not acceptable.

6.0 Prospects for Interest Rates

6.1 The level of the Bank Rate (set by the MPC – Monetary Policy Committee) tends to be the main factor which determines the rate of interest the Council receives on its short term investments. On 2nd August 2018 the Bank of England raised its Official Bank Rate from 0.5% to 0.75%.

6.2 The forward looking estimate of the Bank Rate, as provided by our Treasury Management advisors, is for the rate to increase once in 2019 and again in 2020.

6.3 Generally, the Council borrows its long term funding from the Public Works Loans Board (PWLB). Long term PWLB rates increase and decrease in line with gilt yields (government bonds). The Council's Treasury Management advisors latest forecast of interest rates is as follows:

	5 yr	**10 yr**	**20 yr**	**50 yr**
2019/20	2.30%	2.75%	3.05%	3.00%
2020/21	2.40%	2.85%	3.20%	3.15%
2021/22	2.40%	2.85%	3.20%	3.15%

6.4 In the UK, the MPC has maintained expectations of a slow rise in interest rates in the future. Our Treasury advisors have forecast a rate rise late in 2019 after an extended period of Brexit uncertainties.

6.5 Data shows that the economy slowed in late 2018 and has weakened further in early 2019. Growth is expected to remain low over much of 2019. These forecasts will be revisited as there is further clarity around the Brexit process and timescales.

6.6 Short term investment and borrowing rates are likely to remain low during 2019/2020.

7.0 Borrowing Strategy (including borrowing in advance of need)

7.1 The Council's borrowing requirement for 2019/20 is currently £44.0M based on the current Capital Programme (as approved by Council, 6th March 2019). The opportunities afforded by the Prudential Code increase the possibility of further borrowing being required during the year. The strategy, Prudential Indicator and Limits may need to be refined accordingly in light of future decisions. Further details of Prudential Indicators and Limits are detailed within the Capital Strategy being considered alongside this report on the same agenda.

7.2 Uncertainty over future interest rate prospects increase the risks associated with treasury activity. As a result the Council will continue to take a cautious approach to its treasury strategy.

7.3 The policy will be to continue to maximise “internal borrowing”, running down cash balances and foregoing interest earned at historically low rates. This also minimises counterparty risk (risk that an investment may become irrecoverable). This continues to be our favoured approach (referred to as maintaining an “underborrowed” position), meaning that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt. We will though take the opportunity to lock in longer term debt as and when the opportunity arises, in line with advice from our Treasury Advisors.

7.4 Short term borrowing could be taken from the money market or other public bodies such as local authorities by the Treasury Management team for day to day cashflow purposes.

7.5 The Council may arrange forward starting loans where the interest rate is fixed in advance, but the cash is received at a later date, up to a maximum of one year. This would enable certainty of costs without suffering a cost of carry in the intervening period. The cost of carry is the cost incurred where funds are borrowed prior to being required.

7.6 Shorter term rates may provide lower cost opportunities in the short/medium term. However, in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration will be given to longer term borrowing from PWLB to balance the short term advantage of short term borrowing against the risk of increasing long term rates.

7.7 There are uncertainties associated with the forecasts detailed above. Alternative approaches given different interest rate forecasts are shown below:

- Risk of sharp fall in long and short term rates – long term borrowing will be postponed and potential rescheduling from long term to short term borrowing could be considered.
- Risk of sharper than forecast rise in long and short term rates – fixed rate borrowing taken whilst rates still cheap.

7.8 The Section 151 Officer (or in his absence the Deputy Section 151 Officer), under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates and forecasts at the time, taking into account advice provided by our advisors and an assessment of risk. Members will be advised of borrowing activity during the year as part of the Council's quarterly performance reporting arrangements and the Treasury Management mid year review.

7.9 The revised Codes of Practice require Councils to specify their approach in terms of “Borrowing in Advance of Need”. In line with the Prudential Code, Councils are able to borrow funds above their Capital Financing Requirement (ie its underlying borrowing requirement) for use in future years, thereby providing a degree of flexibility in terms of timing during the most favourable interest rate conditions. As evident in the Capital Strategy this Council’s levels of debt have been and remain significantly lower than our CFR and it is not anticipated that borrowing in advance of need is a course of action that this Council would pursue in the short to medium term. Consequently, there is no need to set a limit in terms of value or period of time. Risks and opportunities associated with borrowing in advance of need will continue to be monitored during the year and reported in the mid year review of treasury management activities.

8.0 Debt Rescheduling Opportunities

8.1 Debt rescheduling refers to the premature repayment of existing debt and replacing it with alternative cheaper borrowing.

8.2 The difference in rates applied to new borrowing and repayment of existing debt has meant that PWLB rescheduling is now less attractive. Consideration would need to be given to the large premiums which would be incurred on repaying debt early.

8.3 Early repayment of debt could be considered. This would run down investment balances as short term rates on investments are likely to be lower than that on debt. However, premium costs may be expensive and our investment balance estimates for 2019/20 are relatively low, therefore such a course of action is unlikely to be viable.

8.4 Any rescheduling and repayment of debt is likely to impact upon the Council's debt maturity profile and this will need to be considered in accordance with the relevant indicator.

8.5 The Council has previously taken advantage of maximising debt rescheduling opportunities. The reasons for any rescheduling to take place could include:

- the generation of savings, at minimum risk;
- to help fulfil the strategy outlined in section 7 above; or
- to enhance the balance of the long term portfolio (amend the maturity profile and/or the balance of volatility).

8.6 The Section 151 Officer will monitor prevailing rates for any opportunities during the year based upon information provided by the Council's Treasury advisors.

9.0 Treasury Management Advisors

9.1 The Council's Treasury Management advisors are Arlingclose Ltd. The company provides a range of services including:

- Technical support on treasury matters, capital finance issues and suggested report formats;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice on the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments;

- Credit ratings/market information service comprising the three main credit rating agencies.

9.2 Whilst the advisors provide support to the Council's treasury function, the final decision on any treasury matter remains with the Council.

9.3 The Council ensures that quality of service is maintained via feedback at regular meetings with key contacts.

9.4 The Council is currently undergoing a tendering process to appoint Treasury Management Advisors to provide the service from 1st April 2019 after the existing contract ends on 31st March 2019.

10.0 Member and Officer Training

10.1 During 2018/19, officers within the Treasury Management section have attended seminars facilitated by our advisors.

10.2 As part of continued professional development, officers will continue to keep up to date with emerging issues via seminars, research and regular information provided by advisors and other sources.

10.3 If any emerging issues arise, specific training sessions can be arranged for Members facilitated by our advisors.

10.4 The Councils Senior Accountant, Pension Fund and Treasury Management holds the Certificate in International Treasury Management – Public Finance, a professional qualification of CIPFA and the Association of Corporate Treasurers in the fundamentals of treasury management for the public service.

11.0 Reporting and Scrutiny

11.1 The Finance and Performance Scrutiny Committee will continue to undertake the required scrutiny function for treasury management activities. This will include:

- Quarterly updates (as part of the Council's Performance Reporting arrangements)
- Strategy report (as reported to full Council)
- Formal mid year review of treasury management (as reported to full Council)
- Annual review (as reported to full Council).

12.0 INVESTMENT STRATEGY

12.1 The Council's investment strategy has regard to the Welsh Government's Guidance on Local Government Investments and the 2017 revised CIPFA

Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes. The Council's investment priorities will be security first, liquidity second and then yield (return).

12.2 Under the new International Financial Reporting Standard 9, Financial Instruments (IFRS 9), the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows (interest) and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost in the balance sheet, as principal amount outstanding plus any interest due.

12.3 The key requirements of both the Code and the investment guidance (issued by the Welsh Government) are to set an investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of the following:

- Specified investments the Council will use together with the minimum acceptable credit quality. These are high security (i.e. high credit quality, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.
- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.

12.4 The intention of the strategy is to provide security of investment and minimisation of risk.

12.5 Specified Investments

An investment is a Specified Investment if all of the following apply:

1. the investment is denominated in sterling
2. it is not long term
3. it is not defined as capital expenditure
4. it is of high credit quality or with one of the following public sector bodies:
    a. the UK government; or
    b. a local authority in England or Wales (as defined in S23 of the 2003 Act) or similar body in Scotland or Northern Ireland

12.6 These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

- o The UK Government (such as the Debt Management Account Deposit Facility, UK Treasury Bills or a Gilt with less than one year to maturity).
- o A local authority, parish council or community council.
- o A body that is considered of a high credit quality. This covers bodies with a minimum long term rating of A- (or the equivalent) as rated by Fitch rating agency or equivalent.
- o Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies.

12.7 The Code of Practice requires Councils to not rely solely on credit ratings but to supplement it with other information. The other information referred to includes quality financial press, credit default swaps, share prices, annual reports, statements to markets, information on government support for banks, credit ratings of that government support, rates being paid, what other banks are saying, information provided by advisors, market price (and movement of market price) of existing debt securities issued by counterparties. This represents a significant pool of "other information".

12.8 The review of all such information will be incorporated into the Council's decision making processes although it will not be a simplistic and quick process and will need to be considered alongside the relative benefits of making one investment over another (e.g. versus DMO) and the relative risks of exposing the Council's resources.

12.9 Members will recall that all of the Council's investments were transferred to the Debt Management Office DMADF (Debt Management Account Deposit Facility) upon the onset of the national and international economic crisis which started in 2008. The cost of this security in terms of loss of interest is negligible as rates offered by banks for short term deposits are comparable to rates offered by the DMO DMADF and other public bodies.

12.10 It is proposed that these arrangements continue for 2019/20, that is, that all Council investments will be with the DMADF or with other Government backed Public Sector Bodies, and that these arrangements should be kept under constant review.

12.11 Non-Specified Investments

12.12 Non-specified investments are any other type of investment (i.e. not defined as Specified above).

12.13 At the Council meeting on the 20th July 2016, Council agreed to supplement our existing investment strategy by approving lending to organisations upon which we would undertake appropriate due diligence **and** put in place appropriate security arrangements. This could result in the Council being able to achieve better investment returns at an acceptable level of risk and to secure base budget savings over the short to medium term to protect frontline services.

12.14 Such transactions are termed “Non Specified Investments”. These are investments that do not meet all the criteria of “Specified Investments”. The criteria for Specified Investments are:

- The investment is denominated in sterling
- It is not long term
- It is not capital expenditure
- It is of high credit quality

12.15 Investment decisions in these “Non Specified Investments” will be subject to S151 officer determination, following appropriate due diligence and subject to appropriate and acceptable security arrangements being put in place as part of a commercial agreement.

12.16 A maximum exposure for this type of investment (as amended and agreed at Council on the 29th November 2017) is set at £25M with a maximum maturity limit of 30 years.

12.17 Non specified investments could also include the Council’s own banker if it fails to meet the high credit criteria. In all instances balances are minimised by transferring monies to the DMO but there is a possibility that not all sums can be transferred. For example the DMO has a minimum deal size of £1M and deposits are on occasion transferred into the Council’s bank account after the deadline for daily trading / cash transfer. In such circumstances the Council’s exposure is limited to overnight.

12.18 The Council will not invest in any other non-specified investment.

13.0 Risk Benchmarking

13.1 In accordance with Welsh Government guidance (revised 2010), this Investment Strategy sets out the Council's policies for giving priority to firstly, the security of investments, secondly liquidity, and thirdly yield. It sets out the Council’s criteria for choosing investment counterparties and limiting the exposure of risk of loss.

13.2 The codes and statutory guidance require the consideration, approval and monitoring of security and liquidity benchmarks. Yield benchmarks are currently widely used and less subjective than those relating to security and liquidity.

13.3 The benchmarks for security, liquidity and yield are targets, not limits and as such, may be breached from time to time. The purpose of the benchmark is to monitor trends and act as early warning signals. Actual activity levels will be reported in the mid year and annual reports.

13.4 Security

13.5 Investment limits are set by reference to the lowest published long term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment class of investment is used, otherwise the counterparty credit rating is used. However investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

13.6 When deteriorating financial market conditions affect the creditworthiness of all organisations, this is not generally reflected in the credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the level of security.

13.7 Liquidity

13.8 This is defined as having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities. The Council maintains a bank overdraft facility of £5m.

13.9 It is recommended that the Council sets limits for

- Liquid short term deposits available with a week's notice.
- Weighted Average Life benchmark and maximum. The shorter the weighted average life of the portfolio implies less risk.

As we are maintaining low levels of cash to minimise credit risk, the setting of such targets / limits is not appropriate.

13.10 Any investment for greater than 365 days will be made with a prudent approach to cashflow requirements and in accordance with above limits.

13.11 Yield

13.12 The benchmark used is 7 day LIBID. At the moment, as our operating strategy is to only invest in the Debt Management Office or other public bodies, it is unlikely we will meet this target.

14.0 Forecast for Investment Returns

14.1 Traditionally, investments which would have been invested longer would secure better returns, however uncertainty over counterparty creditworthiness suggests short dated investments in higher credit quality establishments will provide better security. The Council will continue to favour security above return.

14.2 Expectations on shorter-term interest rates, on which investment decisions are based, show a low possibility of an increase in the rate. Our projected interest receipts will be prudent, reflecting our low risk strategy.

15.0 TREASURY MANAGEMENT INDICATORS AND LIMITS FOR 2019/20

15.1 To comply with both the Prudential Code and Treasury Management Code, the Council has to determine and set Prudential and Treasury Management Indicators in relation to capital expenditure, external debt and treasury management activities. The purpose of the indicators is to provide a framework for Capital Expenditure decision making.

15.2 To comply with the Codes every Council is required to agree a set of prudential indicators prior to the start of the financial year. These indicators are prepared by the Chief Finance Officer and presented to Council, as part of the budget setting process. The indicators cover a three year period and must be monitored during the year.

15.3 The indicators are purely for internal use by the Council and are not intended for use as comparators (i.e. between Councils) nor should they be viewed individually. The real value will arise as a result of monitoring the movement in indicators over time.

15.4 The following indicators are required (by the Prudential Code) to be approved and are included in the Capital Strategy:

- Capital Expenditure
- Capital Financing Requirement
- External Debt
- Gross Debt and the Capital Financing Requirement
- Authorised Limit
- Operational Boundary
- Ratio of Financing Costs to Net Revenue Stream

15.5 The following indicators are required (by the Treasury Management Code) to be approved:

- Debt Maturity Profile
- Total Principal sums invested for periods longer than a year.

15.6 The Debt Maturity Profile indicator sets gross limits to reduce the Council's exposure to large sums falling due for refinancing annually. This indicator now includes variable debt and LOBO loans which are deemed to have a maturity date of the next call date.

Indicator : Debt Maturity Profile

	2018/19 Projected Outturn	Upper Limit	Lower Limit
Under 12 months	14%	70%	0%
12 months to 2 years	1%	70%	0%
2 years to 5 years	4%	60%	0%
5 years to 10 years	9%	70%	0%
10 years to 20 years	3%	90%	0%
20 years to 30 years	0%	90%	0%
30 years to 40 years	69%	90%	0%
40 years to 50 years	0%	90%	0%

15.7 In order to maximise investment returns there may be opportunities for sums to be invested for longer than one year. This would only be undertaken with a prudent view of the primary considerations of security and liquidity.

15.8 The following indicator takes account of projected resources available for investment and cashflow forecasts.

Indicator : Total principal funds invested for periods longer than a year

Maximum principal sums invested for periods longer than a year	£25M

15.9 For measuring the Council's exposure to interest rate risk, the following table shows the revenue impact of a 1% rise or fall in interest rates (based on borrowing and investments as at 31st December 2018):

Interest Rate Risk	Impact £M
One year revenue impact of a 1% rise/fall in interest rates	0.724

15.10 LOBO's are included as fixed rate debt. Although not a requirement of the Prudential Code, an internal limit of LOBO debt is set as follows:

	£M	% of Debt Portfolio
LOBO limits	50	20

The amount of LOBO debt held is £31M being 9.8% of our total debt portfolio. This internally set limit may be temporarily exceeded as a consequence of debt restructuring activities.

15.11 During 2016/17, a commercially agreed 10 year loan agreement was entered into with Trivallis. This is treated as a non specified investment and is part of the Investment Strategy enabling lending to organisations, subject to S151 officer determination, following appropriate due diligence and subject to appropriate and acceptable security arrangements. The balance outstanding is £4.7M.

16.0 THE MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT

16.1 In accordance with legislative requirements applicable to local government (Local Government Act 2003), there is a requirement to charge an amount to revenue each year in respect of capital expenditure. This charge is known as the "Minimum Revenue Provision (MRP)".

16.2 The implementation of the Prudential Code in 2004 (and subsequent updates) provided greater flexibilities for Councils to borrow to fund capital projects over and above their previous level of capital approvals - referred to as prudential or unsupported borrowing.

16.3 In 2008, and to complement the flexibilities afforded by the Prudential Code, Welsh Government amended the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (the 'Regulations') to provide for a number of differing options for charging to revenue costs incurred in respect of Capital Expenditure. The regulations also required the approval by full Council of this MRP Policy Statement.

16.4 In November 2018 the Welsh Government issued revised guidance on MRP, with effect from 1st April 2019. The main amendments to the guidance are:

- A revised definition of a prudent provision – "To ensure that the cost of debt is charged to a revenue account over a period that is commensurate with that over which the capital expenditure provides benefit";
- If there is a change in the method of calculating MRP, and the MRP reduces, then this does not give rise to an overpayment;
- Asset lives should not normally exceed 50 years;
- MRP extends to investment properties where their acquisition is fully or partially funded by an increase in borrowing (as depreciation is not charged on investment properties, the depreciation method is not a suitable approach).

16.5 Supported Borrowing – The MRP on supported borrowing is written off on a straight line basis over 40 years, linked (broadly) to the lives of the Council's assets.

16.6 Unsupported Borrowing - The historic 4% MRP has been removed as an option for unsupported (Prudential) borrowing and replaced with 3 alternatives :

- Asset life method(equal instalments);
- Annuity method(Asset life); or
- Charge in accordance with the depreciation of the asset.

16.7 It is my view that each of these methods might be appropriate depending on the type of asset being created / funded by Prudential borrowing. It is also feasible that an alternative method might be appropriate (for example, linked to a payback period) - this is also recognised in the relevant Welsh Government guidance. The Regulations also allow for the commencement of MRP to be in line with the asset being brought into use. Accordingly, I am of the view that a decision upon the relevant method to apply should be made as part of the option appraisal decision to proceed with any Prudential borrowing on a project by project basis.

16.8 Finance lease schemes - MRP is equivalent to the principal value of repayments as permitted by regulations.

17.0 EQUALITY AND DIVERSITY IMPLICATIONS

17.1 The report details the Council's Treasury Management activities for 2019/20. As a result, no Equality Impact Assessment is required for the purposes of this report.

18.0 CONSULTATION

18.1 Following consideration by Council, this report will be presented to the Finance and Performance Scrutiny Committee in line with the laid down codes of practice and also the Terms of Reference for this Committee.

19.0 FINANCIAL IMPLICATION(S)

19.1 The financial results / implications of the Council's Treasury Management arrangements will be incorporated into quarterly Performance Reports during the year.

20.0 LEGAL IMPLICATIONS *OR* LEGISLATION CONSIDERED

20.1 The report ensures the Council complies with its legal duty under the Local Government Act 2003 and in doing so is in line with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

21.0 LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT

21.1 This report evidences the progress made in delivering the Council's Corporate Plan – '*The Way Ahead'* in particular through supporting the 'Living Within Our Means' theme by pursuing optimum treasury management performance or return at the same time as managing associated risk.

21.2 The report also supports the Well-being of Future Generations Act in particular 'a globally responsible Wales' through responsible management and investment of the Council's resources.

22.0 CONCLUSIONS

22.1 This report provides the Council's Treasury Management Strategy, Investment Strategy, details the Treasury Management Indicators and MRP policy for the forthcoming period.

22.2 With regards to the Treasury Management Strategy, a cautious approach will continue to be followed. The Section 151 Officer (or in his absence the Deputy Section 151 Officer) will monitor the interest rate environment and adopt a pragmatic approach to any changing circumstances, in consultation with the Council's independent treasury advisors.

22.3 With regards to the Prudential and Treasury Management Indicators, these will be monitored throughout the financial year with details reported to Members as part of the Council's quarterly performance reporting framework and scrutiny process***.***

Other information:

Relevant Scrutiny Committee – Finance and Performance Scrutiny Committee

LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

COUNCIL 27TH MARCH 2019

REPORT OF THE DIRECTOR, FINANCE & DIGITAL SERVICES

Item: 2019/20 TREASURY MANAGEMENT STRATEGY INCORPORATING INVESTMENT STRATEGY, TREASURY MANAGEMENT INDICATORS AND MRP STATEMENT

Background Papers

- 6th March 2019 Council meeting – Report: 2019/20 Capital Strategy report
- 6th March 2019 Council meeting – Report: The Council's Capital Programme 2019/20 – 21/22.
- 6th March 2019 Council meeting – Report: The Council's 2019/20 Revenue Budget

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