

Additions and Amendments to the Treasury Management Strategy (TMSS) 2019/20

(amendments in italics, underlined and in bold);

1. Addition to the TM Strategy 2019/20:

3.9.7 Local Authority Trading Company

The Council agrees to allow lending to or purchase shares of a local authority trading company that is set up by St Albans District Council. The investment in 2019/20 will be limited to the values as detailed in paragraph 3.5 of the September Cabinet report (i.e. a credit facility of up to £100,000 to use as working capital). Thereafter further investment will be approved by Cabinet following consideration of business cases.

2. Amendments to the TM Strategy 2019/20

2.1 Minimum Revenue Provision:

Cabinet recommends to Council that the Asset Life Annuity Method is used to calculate the MRP

Paragraph 2.4 of the TMSS to be amended as follows (amendments in italics, underlined and in bold):

The Council is required to put aside money for the financing of capital expenditure that has not been met from grants, contributions or capital receipts. It is also required to adopt a policy to determine the basic amount of this, called the minimum revenue provision (MRP). The Council is also allowed to undertake additional voluntary payments if it wishes (voluntary revenue provision (VRP)).

The Council's policy is that for all unsupported borrowing, MRP will be calculated using the Asset Life Method – i.e. the MRP will be based on the estimated life of the assets. This provides for a reduction in the borrowing over approximately the assets expected useful life.

Within the asset life method there is the option of providing MRP on a straight line basis or an annuity basis. For income producing assets where income is expected to increase over time, the asset value is high and the asset life is long, it is appropriate to use the annuity method. This takes into account the time value of money in that the annual MRP provision increases each year in line with an estimated interest rate. Council agreed at the 2013/14 budget setting that MRP be provided for Westminster Lodge over 35 years with an interest rate of 2.2%. *It is proposed that MRP is provided for the Harpenden Estate using the annuity method over 50 years.*