



SPECIAL COUNCIL – 26TH FEBRUARY 2014

SUBJECT: TREASURY MANAGEMENT ANNUAL STRATEGY, CAPITAL FINANCE PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION POLICY FOR 2014/2015

REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES AND SECTION 151 OFFICER

- 1.1 The attached report, which was presented to the Policy and Resources Scrutiny Committee on 21st January 2014 and Cabinet on 5th February 2014, provided details of the proposed Council's 2014/15 Annual Strategy for Treasury Management, the proposed dataset of Prudential Indicators relevant to Treasury Management and Capital Finance and the proposed Minimum Revenue Provision Policy.
- 1.2 The report made reference to Treasury Management, the Council's policy on financial derivatives, treasury management advisers and training, the Prudential Indicator requirements for Capital Finance, the calculation of the Minimum Revenue Provision, and specific treasury management issues relating to the Council.
- 1.3 Following discussion on the content of the report, the Policy and Resources Scrutiny Committee endorsed the recommendations contained therein and referred them to Cabinet for consideration. On 5th February 2014, Cabinet considered the report and unanimously recommended to Council that for the reasons contained therein: -
 - (i) the Annual Strategy for Treasury Management 2014/2015 be approved;
 - (ii) the strategy be reviewed quarterly within the Treasury Management monitoring reports presented to Policy and Resources Scrutiny Committee and any changes recommended be referred to Cabinet, in the first instance, and to Council for a decision. The Council will also receive a half-yearly report on TM activities;
 - (iii) the Prudential Indicators for Treasury Management as outlined in Appendix 5 of the report be approved;
 - (iv) the Prudential Indicators for Capital Financing as outlined in Appendices 6 and 7 of the report be approved;
 - (v) Members approve the use of Option 2 (for supported borrowing) and Option 3 Equal Installment Method (for unsupported borrowing) for MRP purposes for 2014/2015.
- 1.4 Paragraph 11.1.3 of the attached report refers to the potential sale of the Authority's outstanding claim against the failed Icelandic bank, Landsbanki. Members should note that following an auction process on 30th January 2014, the outstanding claim has been sold and this now concludes the recovery action against Landsbanki.

- 1.5 Members should also note that following consideration of the attached report by the Policy & Resources Scrutiny Committee and Cabinet, Appendices 6 and 7 have now been updated to agree with the proposed Capital Programme in the 2014/15 budget report that is presented separately on this evening's agenda. The revised tables are as follows: -

| Appendix 6 - Prudential Indicators - Capital Finance | | | |
|--|---------------------------|---------------------------|---------------------------|
| | Budget 2014-15 | Budget 2015-16 | Budget 2016-17 |
| Ratio of Financing costs to net revenue stream | | | |
| General Fund | £000 | £000 | £000 |
| Principal repayments | 8,296 | 8,580 | 9,019 |
| Interest costs | 9,282 | 9,804 | 10,115 |
| Debt Management costs | 80 | 80 | 78 |
| Rescheduling discount | -226 | -226 | -226 |
| Investment income | -163 | -163 | -163 |
| Interest applied to internal balances | 780 | 836 | 912 |
| Total General Fund | 18,050 | 18,911 | 19,736 |
| Net revenue stream | 329,919 | 327,787 | 329,361 |
| Total as percentage of net revenue stream | 5.47% | 5.77% | 5.99% |
| Housing Revenue Account | | | |
| Principal repayments | 914 | 850 | 824 |
| Interest costs | 2,082 | 2,066 | 2,421 |
| Rescheduling discount | -58 | -58 | -58 |
| Debt Management costs | 14 | 14 | 16 |
| Total HRA | 2,952 | 2,872 | 3,203 |
| Net revenue stream | 41,596 | 43,069 | 44,599 |
| Total as percentage of net revenue stream | 7.10% | 6.67% | 7.18% |
| Estimate of incremental impact of capital investment on Council Tax and Housing Rents | Budget 2014-15 | Budget 2015-16 | Budget 2016-17 |
| General Fund | £000 | £000 | £000 |
| Unsupported borrowings - principal | 791 | 775 | 747 |
| - interest | 1,034 | 1,012 | 962 |
| Loss of investment income | 4 | 2 | - |
| Total | 1,829 | 1,789 | 1,709 |
| Impact on Band D council tax | £ 30.72 | 30.04 | 28.69 |
| Housing Revenue Account | | | |
| Loss of investment income | 51 | 31 | 30 |
| Running costs | - | - | - |
| Total | 51 | 31 | 30 |
| Impact on average weekly rent | £ 0.09 | 0.05 | 0.05 |
| <i>This is a notional calculation</i> | | | |
| Capital financing requirement [end of year position] | Budget 2014-15 | Budget 2015-16 | Budget 2016-17 |
| | £000 | £000 | £000 |
| Council Fund | 250,812 | 258,805 | 252,686 |
| Housing Revenue Account | 42,475 | 41,183 | 53,200 |
| Total Authority | 293,287 | 299,988 | 305,885 |

| Appendix 7 - Capital Expenditure and Funding | | | |
|---|---------------------------|---------------------------|---------------------------|
| | | | |
| | Budget 2014-15 | Budget 2015-16 | Budget 2016-17 |
| Expenditure | £000 | £000 | £000 |
| Council Fund | 13,462 | 12,028 | 8,466 |
| Housing Revenue Account | 27,500 | 35,958 | 35,471 |
| Total | 40,962 | 47,986 | 43,937 |
| | | | |
| Funding | | | |
| Surplus/ (Deficit) Balance b/f | 1,099 | 1,624 | 457 |
| RCCO - General Fund | 112 | 52 | |
| - HRA | 19,953 | 11,818 | 12,087 |
| Earmarked Reserves- General Fund | 300 | | |
| Borrowings - Supported (GF) | 4,979 | 4,979 | 4,979 |
| LGBI Highways | 2,800 | | |
| Borrowings - Unsupported (GF) | 2,000 | 18,600 | 5,400 |
| Capital Earmarked Reserve- Bargoed Cinema | - | 800 | - |
| General Capital Grant - WG | 3,030 | 3,030 | 3,030 |
| Additional Revenue Contribution to Capital | 22 | | |
| Capital Receipts 2013/14 | 590 | | |
| Delay in Borrowing Due To Cash Reserves | 154 | | |
| Capital receipt (HRA) | 247 | 254 | 260 |
| Borrowings - Unsupported (HRA) | - | - | 10,450 |
| Major Repairs Allowance | 7,300 | 7,286 | 7,274 |
| | | | |
| Total | 42,586 | 48,443 | 43,937 |
| | | | |
| Surplus C/f | 1,624 | 457 | - |
| | | | |

1.6 Members are asked to consider and agree the recommendations in paragraph 1.3 and note and endorse the changes to Appendices 6 and 7 of the report.

Author: H. Morgan, Senior Committee Services Officer

Appendix – Report presented to Policy and Resources Committee on 21st January 2014 and Cabinet on 5th February 2014