Nuneaton & Bedworth
United to Achieve

Agenda item: 11

Cabinet

Report Summary Sheet

Date:	22nd February 2012
Subject:	Treasury Strategy & Budgetary Framework 2012/13
Portfolio:	Finance and Civic Affairs (Councillor D Harvey)
From:	Assistant Director – Finance and Procurement

Summary: The Local Government Act 2003 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services 2009 (the Code) require Council's to "have regard to" the Prudential Code and to set Prudential Indicators for the forthcoming 3 years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The regulations also require an Annual Investment Strategy, Treasury Management Strategy and Minimum Revenue Provision (MRP) Policy to be approved.

Recommendations:
That the proposed Treasury Strategy and Budgetary Framework 2011/12, as detailed in Appendix H, be agreed and submitted to full Council for approval.

Reasons: The Council must approve the Treasury Strategy, Prudential and Treasury Indicators and an MRP policy statement, as required by the CIPFA Code, before the commencement of the financial year.

Options: None

Subject to call-in:	**No**
Forward plan:	**Yes**
Corporate priorities:	**All**

Relevant statutes or policy:	Local Government Act 2003 CIPFA Code of Practice for Treasury Management

Equal opportunity implications:
None arising directly from the report

Human resources implications:
None

Financial implications: Considered throughout the report

Risk management implications:
Investment and borrowing decisions will be based on the strategy as contained within the report and with approved counterparties.

Environmental implications:
None arising directly from the report

Legal implications: The Local Government Act 2003 requires Councils to have regard to the CIPFA Code and for Councils to approve an Annual Treasury Strategy, Prudential and Treasury Indicators and an MRP Policy Statement before the start of the financial year.

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AGENDA ITEM NO. 11

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to : **Cabinet – 22nd February 2012**

From : **Assistant Director – Finance and Procurement**

Subject : **Treasury Strategy & Budgetary Framework 2012/13**

Portfolio : **Finance and Civic Affairs (Councillor D Harvey)**

1. Purpose

1.1 The Local Government Act 2003 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services 2009 (the Code) require Council's to "have regard to" the Prudential Code and to set Prudential Indicators for the forthcoming 3 years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. Regulations also require an Annual Investment Strategy, Treasury Management Strategy and Minimum Revenue Provision (MRP) Policy to be approved.

2. Recommendations

2.1 That the proposed Treasury Strategy and Budgetary Framework 2012/13, as detailed in **Appendix H**, be agreed and submitted to full Council for approval.

3. Introduction

3.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

3.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

3.3 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. "

3.4 **Reporting requirements**

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of polices, estimates and actuals. These reports are required to be adequately scrutinised by committee before being recommended to the Council. This role is undertaken by the Cabinet.

3.5 The three main reports are:

- **Prudential and Treasury Indicators and Treasury Strategy** (This report) - The first, and most important report covers:
  - the capital plans (including prudential indicators);
  - a Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time);
  - the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
  - an investment strategy (the parameters on how investments are to be managed).

- **A Mid Year Treasury Management Report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision.

- **An Annual Treasury Report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

3.6 In addition to the three main reports, the Audit Committee receive regular reports providing information on any treasury activity undertaken, the debt and investment position, performance monitoring information and predicted outturns of key prudential indicators, debt costs and investment income.

3.7 **Treasury Management Strategy for 2011/12.**

The strategy for 2012/13 covers two main areas:

- **Capital Issues**
  - The capital plans and the prudential indicators;
  - The MRP strategy.

- **Treasury Management Issues**
  - The current treasury position;
  - Treasury indicators which will limit the treasury risk and activities of the Council;
  - Prospects for interest rates;
  - The borrowing strategy;
  - Policy on borrowing in advance of need;
  - Debt rescheduling;
  - The investment strategy;
  - Creditworthiness policy; and
  - Policy on use of external service providers.

3.8 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Department of Communities and Local Government (CLG) MRP Guidance, the CIPFA Treasury Management Code and the CLG Investment Guidance.

4. The Capital Plans and Prudential Indicators 2012/13 – 2014/15

4.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of these plans are reflected in prudential indicators, which are designed to assist members overview and confirm capital expenditure plans.

4.2 A key issue facing the Council is the impact of the planned HRA reform. This would essentially end the impact of the housing subsidy system and will see the HRA as a stand alone business. The Council will need to approve revised limits in advance of the reform being put into operation.

4.3 The Council currently pays into the HRA housing subsidy system, and in order to stop future payments from 1st April 2012 the Council is required to pay the CLG £70.455m. This payment is effectively HRA debt, and so the prudential indicators have been adjusted to reflect this change. The actual payment will be made on the 28th March 2012 and so the indicators will take immediate effect from the approval of these limits by Council. The change is expected to be beneficial to the Council.

4.4 **Capital Expenditure.** This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital Expenditure	2010/11 Actual £m	2011/12 Estimate £m	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m
Finance & Civic Affairs	5.73	2.79	0.11	-	-
Planning & Development	-	-	0.36	0.02	0.01
Health & Environment	0.47	1.91	0.50	0.30	0.30
Central Services	0.31	0.64	0.48	0.49	0.50
Art & Leisure	0.95	1.36	0.36	0.10	0.10
GF Housing	1.17	1.38	1.06	1.06	1.06
Future Schemes	-	0.02	0.08	0.05	0.05
Total Non-HRA	**8.63**	**8.10**	**2.95**	**2.02**	**2.02**
HRA Capital Programme	4.35	3.81	9.36	8.61	7.39
HRA Settlement	-	71.46	-	-	-
Total HRA	**4.35**	**75.27**	**9.36**	**8.61**	**7.39**
Grand Total	**12.98**	**83.37**	**12.31**	**10.63**	**9.41**

The above financing need excludes other long term liabilities such as leasing arrangements which already include borrowing instruments.

4.5 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need (borrowing):

Capital Expenditure	2010/11 Actual £m	2011/12 Estimate £m	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m
Non-HRA	8.63	8.10	2.95	2.02	2.02
HRA	4.35	3.81	9.36	8.61	7.39
HRA Settlement	-	71.46	-	-	-
Total	**12.98**	**83.37**	**12.31**	**10.63**	**9.41**
Financed by:					
Capital Receipts	0.24	3.42	0.85	0.06	0.06
Capital Grants	5.23	2.65	2.68	1.23	1.24
Capital Reserves	3.83	3.81	5.74	5.89	6.04
Revenue	0.78	0.69	2.71	3.45	2.07
Net financing need for the year	**2.90**	**72.80**	**0.33**	**-**	**-**
Analysed as:					
Non-HRA	*2.71*	*1.34*	*0.33*	*-*	*-*
HRA	*0.19*	*71.46*	*-*	*-*	*-*

4.6 **The Council's Borrowing Need (the Capital Financing Requirement).** The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

4.7 Following accounting changes the CFR includes any other long term liabilities (e.g. finance leases and Private Finance Initiative (PFI) schemes) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £90k of such schemes within the CFR.

4.8 The Council is asked to approve the CFR projections below:

Capital Expenditure	**2010/11 Actual £m**	**2011/12 Estimate £m**	**2012/13 Estimate £m**	**2013/14 Estimate £m**	**2014/15 Estimate £m**
Capital Financing Requirement					
CFR - non housing	13.85	14.56	14.31	13.75	13.21
CFR housing	8.66	8.60	80.06	77.56	77.56
HRA Settlement	-	71.46	-	-	-
Total CFR	**22.51**	**94.62**	**94.37**	**91.31**	**90.77**
Movement in CFR	*2.64*	*72.11*	*(0.25)*	*(3.06)*	*(0.54)*
Movement in CFR represented by:					
Net financing need for the year (above)	2.90	72.80	0.33	-	-
Less MRP and other financing movements	(0.26)	(0.69)	(0.58)	(3.06)	(0.54)
Movement in CFR	**2.64**	**72.11**	**(0.25)**	**(3.06)**	**(0.54)**

4.9 **The Use of the Council's Resources and the Investment Position.** The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asses sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources	**2010/11 Actual £m**	**2011/12 Estimate £m**	**2012/13 Estimate £m**	**2013/14 Estimate £m**	**2014/15 Estimate £m**
Fund balances/ reserves	10.28	12.10	14.14	12.70	16.38
Capital receipts	1.34	0.49	-	-	-
Provisions	1.21	1.15	0.60	-	-
Other	1.44	1.50	1.50	1.50	1.50
Total core funds	**14.27**	**15.24**	**16.24**	**14.20**	**17.88**
Working capital *	(0.46)	0.98	1.15	1.86	1.17
Over/ (Under) borrowing	(5.47)	(5.92)	(6.12)	(5.59)	(5.06)
Expected investments	**8.34**	**10.30**	**11.27**	**10.47**	**13.99**

** Working capital balances shown are estimated year end figures*

4.10 **Affordability Prudential Indicators.** The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators.

4.11 **Actual and estimates of the ratio of financing costs to net revenue stream.** This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2010/11 Actual *	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Non-HRA	8.3%	9.5%	10.7%	11.4%	10.6%
HRA (inclusive of settlement)	0.1%	-0.8%	47.6% **	53.0%	39.2%

** Basis of calculation revised so actuals for 2010/11 restated to allow year on year comparison*

*** Significant increase due to HRA Reform - Debt interest costs now replacing subsidy payment*

4.12 **Estimates of the incremental impact of capital investment decisions on council tax and housing rent levels.** This indicator identified the revenue costs associated with the proposed changes to the three year capital programme recommended in this report compared to the Council's existing approved commitments and plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support (council tax indicator only) and capital spend plans for years 2 and 3.

	2012/13 Estimate £	2013/14 Estimate £	2014/15 Estimate £
Council tax - Band D	5.06	4.55	4.05
Weekly housing rent levels (48 week rent year)	6.36	2.07	0.32

The housing indicator shows the revenue impact on rent levels based on any newly proposed changes, although any discrete impact will be constrained by rent controls.

5. MRP Policy Statement.

5.1 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision – MRP), although is it allowed to undertake additional voluntary payments if required (voluntary revenue provision – VRP).

5.2 CLG regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the MRP Statement as detailed in **Appendix A**.

6. Current Treasury Position.

6.1 The Council's treasury portfolio position at 31st March 2011, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying borrowing need (the Capital Financing Requirement – CFR), highlighting any over or under borrowing.

	2010/11 Actual £m	2011/12 Estimate £m	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m
External Debt					
Debt at 1 April	14.75	16.84	88.61	88.25	85.72
Expected change in Debt	2.09	0.31	(0.36)	(2.53)	(0.01)
HRA Settlement	-	71.46	-	-	-
Other Long Term Liabilities at 1 April	0.30	0.20	0.09	-	-
Expected change in Other Long Term Liabilities	(0.10)	(0.11)	(0.09)		
Debt at 31 March	**17.04**	**88.70**	**88.25**	**85.72**	**85.71**
The Capital Financing Requirement	22.51	94.62	94.37	91.31	90.77
Over / (Under) Borrowing	(5.47)	(5.92)	(6.12)	(5.59)	(5.06)
Investments at 1 April	7.48	8.34	10.30	11.60	10.80
Expected change in Investments	0.86	1.96	1.30	(0.80)	3.52
Investments at 31 March	**8.34**	**10.30**	**11.60**	**10.80**	**14.32**
Net Debt	8.70	78.40	76.65	74.92	71.39

6.2 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its total debt, net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2012/13 and the following two financial years (shown as net borrowing above). This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

6.3 The Assistant Director – Finance and Procurement reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this report.

7. Treasury Indicators: Limits to Borrowing Activity

7.1 **The Operational Boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be higher or lower depending on the levels of actual debt.

Operational Boundary	2011/12 Estimate £m	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m
Debt	17.15	88.61	88.25	85.72
Add HRA Settlement	71.46	-	-	-
Other long term liabilities	0.20	0.09	-	-
Total	**88.81**	**88.70**	**88.25**	**85.72**

7.2 **The Authorised Limit for external debt.** A further key prudential indicator represents a control on the maximum level of debt. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be affordable in the short term, but is not sustainable in the longer term.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
- The Council is asked to approve the following Authorised Limit:

Authorised Limit	2011/12 Estimate £m	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m
Debt	17.15	88.61	88.25	85.72
Add HRA Settlement	71.46	-	-	-
HRA headroom	9.59	9.59	12.09	12.09
Contingency (emergency cashflow borrowing need)	8.00	8.00	8.00	8.00
Other long term liabilities	2.00	2.00	2.00	2.00
Total	**108.20**	**108.20**	**110.34**	**107.81**

7.3 Separately the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently:

HRA Debt Limit	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Total	89.65	89.65	89.65	89.65

8. Prospects for Interest Rates.

8.1 The Council has appointed Sector as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives the Sector central view.

	Bank	Money Rates		PWLB Borrowing Rates		
	Rate	3 month	1 year	5 year	25 year	50 year
March 2012	0.50%	0.70%	1.50%	2.30%	4.20%	4.30%
June 2012	0.50%	0.70%	1.50%	2.30%	4.20%	4.30%
September 2012	0.50%	0.70%	1.50%	2.30%	4.30%	4.40%
December 2012	0.50%	0.70%	1.60%	2.40%	4.30%	4.40%
March 2013	0.50%	0.75%	1.70%	2.50%	4.40%	4.50%
June 2013	0.50%	0.80%	1.80%	2.60%	4.50%	4.60%
September 2013	0.75%	0.90%	1.90%	2.70%	4.60%	4.70%
December 2013	1.00%	1.20%	2.20%	2.80%	4.70%	4.80%
March 2014	1.25%	1.40%	2.40%	2.90%	4.80%	4.90%
June 2014	1.50%	1.60%	2.60%	3.10%	4.90%	5.00%

8.2 Growth in the UK economy is expected to be weak in the next two years and there is a risk of a technical recession (i.e. two quarters of negative growth). Bank Rate, currently 0.5%, underpins investment returns and is not expected to start increasing until quarter 3 of 2013 despite inflation currently being well above the Monetary Policy Committee inflation target. Hopes for an export led recovery appear likely to disappoint due to the Eurozone debt crisis depressing growth in the UK's biggest export market. The Comprehensive Spending Review, which seeks to reduce the UK's annual fiscal deficit, will also depress growth during the next few years.

8.3 Fixed interest borrowing rates are based on UK gilt yields. The outlook for borrowing rates is currently much more difficult to predict. The UK total national debt issuance is forecast to continue rising until 2015/16; the consequent increase in gilt issuance is therefore expected to be reflected in an increase in gilt yields over this period. However, gilt yields are currently at historically low levels due to investor concerns over Eurozone's sovereign debt and have been subject to exceptionally high levels of volatility as events have evolved.

8.4 This challenging and uncertain economic outlook has several key treasury management implications:

- The Eurozone sovereign debt difficulties, most evident in Greece, provide a clear indication of much higher counterparty risk. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2012/13;
- Borrowing interest rates are currently attractive, but may remain low for some time. The timing of any borrowing will need to be monitored carefully;
- There will remain a cost of capital – any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

9. The Borrowing Strategy.

9.1 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is high and will be maintained for the borrowing excluding the HRA reform settlement.

9.2 Against this background and risks within the economic forecast, caution will be adopted with the 2012/13 treasury operations. The Assistant Director – Finance and Procurement will monitor interest rates in the financial markets and adopt a pragmatic approach to changing circumstances:

- *If it was felt that there was a significant risk of a sharp FALL in long and short term rates*, e.g. due to a marked increase or risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
- *If it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast,* perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

9.3 The requirement for the HRA reform settlement to be made to the CLG on 28th March 2012 will require a separate consideration of a borrowing strategy. The Council will need to have the cash settlement of £71.455m available by the 28th March 2012, so separate borrowing solely for this purpose is anticipated. The PWLB are providing loans at interest rates 0.85% lower than the usual PWLB interest rates solely for the settlement requirements. This provides a compelling reason to utilise this borrowing availability. The exact structure of debt to be drawn is currently being considered by officers to ensure it meets the requirements of the HRA business plan and the overall requirements of the Council. Whilst the debt can be drawn earlier than needed, this may incur a revenue cost, and will be considered when a review of the structure of actual prevailing borrowing and investment interest rates is undertaken nearer to the time.

9.4 The budgets for future HRA debt costs have been set based on an assumption of the PWLB interest rates at 31st March 2012 being marginally higher than those currently forecast due to the current volatility in the markets and the inherent interest rate risk in taking £71.5m on one day. A 0.1% change in interest rates would result in a £71.5k per annum movement in debt interest costs to the HRA and therefore the decision to budget for interest rates slightly higher than forecast has reduced the risk of this transaction and the potential unbudgeted impact on HRA balances.

9.5 To allow future debt costs to be correctly allocated between the General Fund and the HRA the existing debt portfolio must been split, allocating individual loans to each fund. The basis for this will be proportionate to the individual fund CFR balances adjusted for the Council's under borrowed position and cash balances. To ensure equity, the split portfolios will be of similar average interest rates and similar weighted average maturities.

9.6 **Treasury Management Limits on Activity.** There are three debt related activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs/ improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

9.7 The Council is asked to approve the following treasury indicators and limits:

Interest Rate Exposures	**2012/13**	**2013/14**	**2014/15**
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	£95.00m	£95.00m	£95.00m
Limits on variable interest rates based on net debt	£20.00m	£20.00m	£20.00m
Limits on fixed interest rates:			
- Debt only	*100%*	*100%*	*100%*
- Investments only	*100%*	*100%*	*100%*
Limits on variable interest rates:			
- Debt only	*20%*	*20%*	*20%*
- Investments only	*100%*	*100%*	*100%*

Maturity Structure of fixed interest rate borrowing 2012/13		
	Lower	**Upper**
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	30%
5 years to 10 years	0%	50%
10 years and above	0%	100%

10. Policy on Borrowing in Advance of Need.

10.1 The Council will not borrow more than or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within the forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

10.2 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

11. Debt Rescheduling.

11.1 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

11.2 The reasons for any rescheduling to take place will include:
- The generation of cash savings and/ or discounted cash flow savings;
- Helping to fulfil the treasury strategy;
- Enhance the balance of the portfolio (amend the maturity profile and/ or the balance of volatility).

11.3 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

11.4 All rescheduling will be reported to the Audit Committee as part of the monitoring reports.

12. Investment Policy

12.1 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

12.2 In accordance with guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council has clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three rating agencies with a full understanding of what these reflect in the eyes of each agency. Using the Sector ratings service banks' ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

12.3 Further, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and this it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. Therefore, the Council will engage with its advisors to maintain a monitor on market pricing such as “Credit Default Swaps” (CDS) and overlay that information on top of the credit ratings. This is fully integrated into the credit methodology provided by the advisors, Sector in producing its colour codings which show the varying degrees of creditworthiness.

12.4 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

12.5 The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

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

12.7 Investment instruments identified for use in the financial year are listed in **Appendix D** under the ‘Specified’ and ‘Non-Specified’ Investment categories. Counterparty limits will be set to £4m per institution and limited to £4m per financial group (e.g. RSB Group, Lloyds Banking Group).

13. Creditworthiness Policy

13.1 This Council applies the creditworthiness service provided by Sector. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies – Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warnings of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

13.2 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration for investments. The Council will therefore use counterparties within the following duration bands:

- Yellow 5 years *
- Purple 2 years
- Blue 1 year *(only applies to nationalised or semi nationalised UK Banks)*
- Orange 1 year
- Red 6 months
- Green 3 months
- No Colour not to be used

** this category is for AAA rated Government debt or its equivalent.*

13.3 The Sector creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

13.4 Typically the minimum credit ratings criteria the Council use (Fitch or equivalents) of:

Short Term rating	F1
Long Term rating	A-
Viability rating	BB+
Support rating	3

There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

13.5 The Council is alerted to changes to ratings of all three agencies through its use of the Sector creditworthiness service.

- If a downgrade results in the counterparty/ investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

13.6 Therefore, based on the above information, the approved counterparty list will be amended immediately upon receipt of rating change notifications and will be completely refreshed once a week as the up to date CDS data is issued.

13.7 Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

13.8 **Country Limits.** The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA from Fitch (or equivalent). The list of countries that qualify using this criteria as at 10 February 2012 are shown in **Appendix E**. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

13.9 Investments in non-UK banks that meet the criteria above will be limited to £3m in any one country within an overall maximum of £6m of the investment portfolio.

14. Investment Strategy

14.1 Investments will be made with reference to the core balances and cash flow requirements and the outlook for short-term interest rates. (i.e. rates for investments up to 12 months).

14.2 Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 3 of 2013. Bank Rate forecasts for financial year ends (March) are:
- 2011/12 0.50%
- 2012/13 0.50%
- 2013/14 1.25%
- 2014/15 2.50%

14.3 There are downside risks to these forecasts (i.e. start of increases in Bank Rate is delayed even further) if economic growth remains weaker for longer than expected. However, should the pace of growth pick up more sharply than expected there could be upside risk, particularly if Bank of England inflation forecasts for two years ahead exceed the Bank of England's 2% target rate.

14.4 The suggested budgeted investment earnings rates for returns on investments placed for periods up to three months during each financial year for the next five years are as follows:
- 2012/13 0.70%
- 2013/14 1.00%
- 2014/15 1.60%
- 2015/16 3.30%
- 2016.17 4.10%

14.5 **Investment treasury indicator and limit –** total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year end.

The Council is asked to approve to approve the treasury indicator and limit:

Maximum principal sums invested > 364 days	**2012/13**	**2013/14**	**2014/15**
Principal sums invested for more than 364 days	£2m	£3m	£3m

14.6 For its cash flow generated balances, the Council will seek to utilise its business reserve accounts, notice accounts, money market funds and short dated deposits (overnight to three months) in order to benefit from the compounding of interest.

14.7 **Icelandic Bank Investments –** The Icelandic courts have supported the view that the Council will be treated as a preferred creditor, thereby seeing a high proportion of the investment being returned. The actual repayment is currently expected to be partially in foreign currency assets. It is currently too early to provide a definitive policy on how this exchange rate risk will be managed, but the expectation will be that the risk will be managed proactively and assets converted to sterling at the earliest opportunity.

14.8 **End of year investment report –** At the end of the financial year, the Council will receive a report on the investment activity as part of its Annual Treasury Report.

15. Policy on the use of External Service Providers.

15.1 The Council uses Sector as its external treasury management advisors.

15.2 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

15.3 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented.

16. Scheme of delegation.

16.1 There was a requirement of the 2009 Guidance notes to report to Council a scheme of delegation. Although this requirement does not appear within the 2011 revision it is still considered best practice to report this. Therefore **Appendix F** of this report details the scheme of delegation proposed for this Council.

17. Role of the Section 151 Officer.

17.1 As with the scheme of delegation, despite not being a requirement of the 2011 Guidance notes it is considered best practice to inform the Council of the role of the Section 151 Officer. **Appendix G** provides this information.

18. Conclusion

18.1 The forthcoming financial year will again be difficult for local authorities to manage their treasury activities. The ongoing low interest rates will put severe pressure on investment income budgets in the short term and the forecast increase in borrowing rates will ensure that Councils will need to balance the short term savings by utilising cash balances in lieu of borrowing and the longer term costs of borrowing at high rates in the future. High inflation rates and the austerity measures laid down by the Coalition Government will put also pressure on Councils to find new efficiencies and savings.

18.2 The Treasury Management section, with the assistance of Sector, will monitor economies in the UK and overseas, regularly review the debt portfolio and the creditworthiness of individual institutions, utilising a methodology which does not rely solely on credit ratings to ensure that any investments made are with countries and institutions that are deemed of high credit quality to reduce the risk of loss of principal invested.

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APPENDICES

A. MRP strategy

B. Prudential and Treasury Indicators

C. Economic background

D. Specified and Non-Specified investments

E. Approved countries for investments

F. Treasury management scheme of delegation

G. The Treasury Management Role of the Section 151 Officer

H. Treasury Strategy and Budgetary Framework 2011/12

Minimum Revenue Provision – an introduction

What is a Minimum Revenue Provision?

Capital expenditure is generally expenditure on assets which have a life of more than one year e.g. buildings, vehicles, machinery etc. Where this expenditure is financed by borrowing it would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred. Therefore such expenditure is spread over several years in order to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual Minimum Revenue Provision, which was previously determined under Regulation, and is now determined under Guidance.

Along with the above duty, the Government issued guidance which came into force on 31st March 2008 which requires that a Statement on the Council's policy for its annual MRP should be submitted to the full Council for approval before the start of the financial year to which the provision will relate.

MINIMUM REVENUE PROVISION POLICY STATEMENT 2012/13

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision – MRP), although it is allowed to undertake additional voluntary payments if required (voluntary revenue provision – VRP).

The MRP Policy Statement for 2012/13 is:

- For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, MRP will follow existing practice outlined in former CLG regulations.

  This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

- From 1st April 2008 for all unsupported borrowing (including PFI and finance leases), MRP will be based on the estimated life of the assets, in accordance with proposed regulations.

  This option provides for a reduction in the borrowing need over approximately the assets life.

- This Council has participated in the Local Authority Mortgage Scheme (LAMS) using a cash backed option. This has required the Council to place a 5 year deposit with the mortgage lender which matches the 5 year life of the indemnity. The deposit placed with the mortgage lender provides an integral part of the mortgage lending, and is treated as capital expenditure and a loan to a third party. The Capital Financing Requirement (CFR) has increased by the amount of the indemnity. The deposit is due to be returned in full at maturity, with interest paid annually. Once the deposit matures and funds are returned to the Council, the returned funds are classed as a capital receipt, and will be applied to the CFR to reduce the balance accordingly. As this is a temporary (5 year) arrangement and the funds will be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP application.

- No revenue charge is currently required for the HRA. However under HRA reform the HRA will be required to charge depreciation on its assets, which will have a revenue effect. In order to address any possible adverse impact, regulations will allow the Major Repairs Allowance to be used as a proxy for depreciation for the first five years.

- Repayments included in finance leases are applied as MRP.

PRUDENTIAL AND TREASURY INDICATORS

Prudential indicators	2010/11	2011/12	2012/13	2013/14	2014/15
	Actual	Estimated Out-turn	Estimate	Estimate	Estimate
Capital Expenditure					
Non - HRA	£8.63m	£8.10m	£2.95m	£2.02m	£2.02m
HRA	£4.35m	£75.27m	£9.36m	£8.61m	£7.39m
TOTAL	£12.98m	£83.37m	£12.31m	£10.63m	£9.41m
Ratio of financing costs to net revenue stream					
Non - HRA	8.3%	9.5%	10.7%	11.4%	10.6%
HRA	0.1%	-0.8%	47.6% **	53.0%	39.2%
Prudential Borrowing Requirement					
Non - HRA	£2.71m	£1.34m	£0.33m	£0.00m	£0.00m
HRA	£0.19m	£71.46m	£0.00m	£0.00m	£0.00m
TOTAL	£2.90m	£72.80m	£0.33m	£0.00m	£0.00m
Capital Financing Requirement as at 31 March					
Non - HRA	£13.85m	£14.56m	£14.31m	£13.75m	£13.21m
HRA	£8.66m	£80.06m	£80.06m	£77.56m	£77.56m
TOTAL	£22.51m	£94.62m	£94.37m	£91.31m	£90.77m
Incremental impact of capital investment decisions					
Increase in Council Tax (band D) per annum	[redacted]		£5.06	£4.55	£4.05
Increase in average housing rent per week (48 week rent year)			£6.36	£2.07	£0.32

Treasury management indicators	2010/11	2011/12	2012/13	2013/14	2014/15
	Actual	Estimated Out-turn	Estimate	Estimate	Estimate
Authorised Limit for external debt -					
borrowing		£106.20m	£106.20m	£108.34m	£105.81m
other long term liabilities	Maximum	£2.00m	£2.00m	£2.00m	£2.00m
TOTAL	Debt	£108.20m	£108.20m	£110.34m	£107.81m
Operational Boundary for external debt -	for year =				
borrowing	£18.85m	£88.61m	£88.61m	£88.25m	£85.72m
other long term liabilities		£0.20m	£0.09m	£0.00m	£0.00m
TOTAL		£88.81m	£88.70m	£88.25m	£85.72m
External Debt at 31 March	£17.04m	£88.70m	£88.25m	£85.72m	£85.71m
Net Debt at 31 March	£8.70m	£78.40m	£76.65m	£74.92m	£71.39m
Upper limit for fixed interest rate exposure					
Net principal at fixed rate (borrowing less investments)	Maximum £13.85m	£122.87m	£95.00m	£95.00m	£95.00m
Upper limit for variable rate exposure					
Net principal at variable rate (borrowing less investments)	Maximum (£0.98m)	£30.00m	£20.00m	£20.00m	£20.00m
Upper limit for total principal sums invested for over 364 days	£0.00m	£2m	£2m	£3m	£3m

Maturity structure of new fixed rate borrowing during 2012/13	Upper Limit	Lower Limit
under 12 months	20%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	30%	0%
5 years and within 10 years	50%	0%
10 years and above	100%	0%

Economic Background

Global economy

The outlook for the global economy remains clouded with uncertainty with the UK economy struggling to generate sustained recovery that offers solid optimistim for the outlook for 2012, or possibly even into 2013. Consumer and business confidence levels are low and with little to boost sentiment, it is not easy to see potential for a significant increase in the growth rate in the short term.

At the centre of much of the uncertainty is the ongoing **Eurozone sovereign debt crisis** which has intensified, rather than dissipated throughout 2011. The main problem has been **Greece**, where, even with an Eurozone/IMF/ECB bailout package and the imposition of austerity measures aimed at deficit reduction, the lack of progress and the ongoing deficiency in addressing the underlying lack of competitiveness of the Greek economy, has seen an escalation of their problems. These look certain to result in a default of some kind but it currently remains unresolved if this will be either “orderly” or “disorderly”. Most commentators currently view that it is now inevitable that Greece will have to exit the Eurozone in 2012.

There is also growing concern about the situation in **Italy** and the risk that contagion has not been contained. Italy is the third biggest debtor country in the world but its prospects are limited given the poor rate of economic growth over the last decade and likely difficulties in implementing the required level of fundamental reforms in the economy. The Eurozone now has a well established track record of always doing too little too late to deal with this crisis; this augurs poorly for future prospects, especially given the rising level of electoral opposition in northern EU countries to bailing out profligate southern countries.

The US economy has encouraged with some positive news around the start of 2012 but any improvement in the weak rate of growth is likely to only generate slow progress in reducing the high level of unemployment which is acting as such a dampener on the economy. With ~~the next~~ Presidential elections due in November 2012, the current administration has been hamstrung by political gridlock with the two houses split between the main parties. In quarter 3 the Federal Reserve started “Operation Twist” in an effort to re-ignite the rate of growth in the economy. However, high levels of consumer indebtedness, a moribund housing market together with stubbornly high unemployment, will continue to weigh heavily on consumer confidence and so on the abiltity to generate a healthy and consistent rate of economic growth.

Hopes for broad based recovery have, therefore, focussed on the **emerging markets** but these areas have been struggling with inflationary pressures in their previously fast growth economies. China, though, has maintained its growth pattern, despite a major thrust to tighten monetary policy during 2011 to cool inflationary pressures which are now subsiding. However, some forward looking indicators are causing concern that there may not be a soft landing ahead, which would then be a further dampener on world economic growth.

UK economy

The Government's austerity measures, aimed at getting the public sector deficit into order over the next four years, have yet to fully impact on the economy. However, coming at a time when economic growth has been weak and concerns at the risk of a technical recession (two quarters of negative growth) in 2012, it looks likely that the private sector will not make up for the negative impact of these austerity measures given the lack of an export led recovery due to the downturn in our major trading partner – the EU. The housing market, a gauge of consumer confidence, remains weak and the outlook is for house prices to be little changed for a prolonged period.

Economic Growth. GDP growth has, basically, flatlined since the election of 2010 and, worryingly, the economic forcecasts for 2012 and beyond have been revised lower on a near quarterly basis. With concerns of a potential return to recession, the Bank of England embarked on a second round of Quantitive Easing to stimulate economic activity. It appears very likely that there will be another expansion of quantitative easing in quarter 1 2012 in order to stimulate economic growth.

Unemployment. With the impact of the Government's austerity strategy resulting in steadily increasing unemployment during 2011, there are limited prospects for any improvement in 2012 given the prospects for weak growth.

Inflation and Bank Rate. For the last two years, the MPC's contention has been that high inflation was the outcome of temporary external factors and other one offs (e.g. changes in VAT); that view remains in place with CPI inflation starting quarter 1 of 2012 at 4.8%, having peaked at 5.2% in September 2011. They remain of the view that the rate will fall back to, or below, the 2% target level within the two year horizon.

AAA rating. The ratings agencies have recently reaffirmed the UK's AAA sovereign rating and have expressed satisfaction with Government policy for deficit reduction. They have, though, warned that this could be reviewed if the policy were to change, or was seen to be failing to achieve its desired outcome. This credit position has ensured that the UK government is able to fund itself at historically low levels and, with the safe haven status from Eurozone debt also drawing in external investment, the pressure on rates has been down, and looks set to remain so for some time.

Sector's forward view

Economic forecasting remains troublesome with so many extermal influences weighing on the UK. There does, however, appear to be consensus among analysts that the economy remains weak and whilst there is still a broad range of views as to potential performance, they have all been downgraded throughout 2011. Key areas of uncertainty include:

- a worsening of the Eurozone debt crisis and heightened risk of the breakdown of the bloc or even of the currency itself;
- the impact of the Eurozone crisis on financial markets and the banking sector;

- the impact of the Government's austerity plan on confidence and growth and the need to rebalance the economy from services to exporting manufactured goods;
- the under-performance of the UK economy which could undermine the Government's policies that have been based upon levels of growth that inceasingly seem likely to be undershot;
- a continuation of high levels of inflation ;
- the economic performance of the UK's trading partners, in particular the EU and US, with some analysts suggesting that recession could return to both;
- stimulus packages failing to stimulate growth;
- elections due in the US, Germany and France in 2012 or 2013;
- potential for protectionism i.e. an escalation of the currency war / trade dispute between the US and China.

The overall balance of risks remains weighted to the downside. Lack of economic growth, both domestically and overseas, will impact on confidence putting upward pressure on unemployment. It will also further knock levels of demand which will bring the threat of recession back into focus.

Sector believes that the longer run trend is for gilt yields and PWLB rates to rise due to the high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries.

Given the weak outlook for economic growth, Sector sees the prospects for any interest rate changes before mid-2013 as very limited. There is potential for the start of Bank Rate increases to be even further delayed if growth disappoints.

Specified and Non-Specified Investments

Specified Investments:

All such investments will be sterling denominated with maturities up to a maximum of 1 year and meeting the minimum 'high' rating criteria where applicable.

If forward deposits are made then the forward period plus the deal period should not exceed one year in aggregate.

Non-Specified Investments:

These are any investments which do not meet the Specified Investment criteria. A maximum of £5m will be held in non-specified investments.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum Credit Criteria / Sector Colour Band	Maximum Maturity Period	Max % of Total Investments / £ Limit per Institution
DMADF – UK Government	n/a	6 months	100%
UK Government Gilts	UK Sovereign Rating	5 years	100%
UK Government Treasury Bills	UK Sovereign Rating	6 months	100%
Bonds issued by Multilateral Development Banks	AAA	6 months	£4m
Money Market Funds	AAA	Liquid	£6m per fund
Local Authorities	n/a	2 years	100%

	Minimum Credit Criteria / Sector Colour Band	Maximum Maturity Period	Max % of Total Investments / £ Limit per Institution
Term deposits with Banks & Building Societies	Yellow Purple Blue Orange Red Green	5 years 2 years 1 year 1 year 6 months 3 months	£4m per institution/ financial group
Certificates of Deposit or Corporate Bonds with Banks & Building Societies	Yellow Purple Blue Orange Red Green	5 years 2 years 1 year 1 year 6 months 3 months	£4m per institution/ financial group
Council's own banker (should their credit rating not meet the criteria above)	No colour	Overnight	£2m
Gilt Funds	UK Sovereign Rating	5 years	100%
Local Authority Mortgage Scheme. Under this scheme the Council is required to place funds of £1m, with Lloyds Bank plc for a period of 5 years. This is classified as being a service investment, rather than a treasury management investment, and is therefore outside of the Specified/ Non Specified categories.			

The criteria in this appendix are intended to be the operational criteria in normal times. At times of heightened volatility, risk and concern in financial markets, this strategy may be amended by temporary operational criteria further limiting investments to counterparties of higher creditworthiness and/ or restricted time limits.

Approved Countries for Investments (as at 10 February 2012)

AAA

- Australia
- Canada
- Denmark
- Finland
- Germany
- Luxemberg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- U.K.

AA+

- France
- Hong Kong
- U.S.A.

AA

- Belgium
- U.A.E.

Treasury Management Scheme of Delegation

(i) Full Council

- Receiving and reviewing reports on treasury management policies, practices and activities.
- Approval of annual strategy.
- Budget approval.

(ii) Responsible Body - Cabinet

- Approval of/ amendments to the treasury management policy statement and treasury management practices.
- Budget consideration.
- Approval of division of responsibilities.
- Receiving and reviewing reports and acting on recommendations.
- Approving the selection of external service providers and agreeing terms of appointment.

(iii) Body with Responsibility for Scrutiny - Audit Committee

- Reviewing the treasury management policy, procedures and treasury activities and making recommendations to the responsible body.

The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer

- Recommending clauses, treasury management policy/ practices for approval, reviewing the same regularly, and monitoring compliance.
- Submitting regular treasury management policy reports.
- Submitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensuring the adequacy of internal audit, and liaising with external audit.
- Recommending the appointment of external service providers.

Treasury Strategy & Budgetary Framework 2012/13

a) Cabinet be delegated to increase the approved revenue budgets for the General Fund and the Housing Revenue Account for 2012/13 subject to the minimum working balances of £1m and £1.2m respectively being maintained.

b) Capital resources of £2.95 and £9.36m be approved for the General Fund and the Housing Revenue Account respectively.

c) Other additional capital resources including earmarked capital reserves, grants, contributions, and capital receipts be added to total capital resources as they become available during 2012/13 and included in subsequent capital programme reviews, subject to approval by Cabinet.

d) The Minimum Revenue Provision (MRP) Policy Statement (Appendix A to the 22nd February 2012 Cabinet report) be adopted.

e) The Prudential and Treasury Indicators (Appendix B to the 22nd February 2012 Cabinet report) be adopted.

f) The Treasury Management Strategy (as detailed in the 22nd February 2012 Cabinet report) including the borrowing and investment strategies for 2012/13 be adopted.