

North East Derbyshire District Council

Council

11 December 2017

<p>Treasury Management Strategy Update</p>

**Report of Councillor Mr P R Kerry, Portfolio Holder with Responsibility for
Economy, Finance and Regeneration**

Purpose of the Report

- To update Council on the treasury management activities for the period April to September 2017.
- For Council to approve General Fund borrowing of up to £270,000 to complete remedial works to the roof at Eckington Pool on the basis that such borrowing meets the requirements of the Prudential Code.
- On the basis that the Council approves the Prudential Borrowing, to update the Treasury Management Strategy to ensure that this borrowing is reflected in the Authorised Borrowing Limit, the Operational Boundary and the Capital Financing Requirements.
- To agree that the recommended remedial works to Eckington Pool roof are included in the Council's Approved Capital Programme.

1 Report Details

- 1.1 The Council approved the 2017/18 Treasury Management Strategy at its meeting in February 2017 and approved further amendments in July 2017.
- 1.2 The treasury management function covers the borrowing and investment of Council money. This includes both the management of the Council's day to day cash position and the management of its long term debt. All transactions are conducted in accordance with the Council's approved strategy and the CIPFA Code of Practice. Good treasury management plays an important role in the sound financial management of the Council's resources.
- 1.3 This monitoring report details the treasury management activity during the first half year. This is in line with best practice as outlined in the CIPFA Treasury Management Code of Practice. Appendix 1 of this report, details the treasury management activities that have taken place between April and September 2017.

1.4 The Council uses external treasury advisors, Arlingclose, who provide a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments;
- A number of places at training events offered on a regular basis.
- Credit ratings/market information service comprising the three main credit rating agencies.

1.5 At its meeting on 27 September 2017, Cabinet recommended to Council that additional General Fund borrowing of up to £270,000 be approved to complete remedial works to the roof at Eckington Pool on the basis that such borrowing meets the requirements of the Prudential Code.

Prior to works commencing on the Leisure Centre refurbishment a number of minor roof leaks were identified with remedial repairs planned in conjunction with the refurbishment contract. While carrying out the planned works further areas of concern had become apparent which warranted a more specialist inspection. The resulting report identified potential issues in the roof covering which ultimately would result in the failure of the roofing membrane to adequately provide weather tight protection.

Subject to approval, a full tender process will be undertaken to establish the best and most cost effective solution.

Prudential Borrowing

1.6 In considering whether or not to agree that the repairs outlined in this report should proceed, Council needs to take its decision in the light of the CIPFA Prudential Code for Capital Finance. While decisions to undertake borrowing to fund investment are a decision of the local authority concerned, in making a decision to incur borrowing the Council must satisfy itself that such borrowing is prudent, affordable and sustainable. That is to say that the additional revenue income or cost reduction arising from the investment must be sufficient to cover the cost of the borrowing over the period of the loan. In the normal course of events prudential borrowing is judged by its impact upon the revenue streams of the Council.

1.7 In agreeing to enter into the General Fund prudential borrowing as set out within this report Council should note that the borrowing limits previously agreed will need to be amended to reflect this proposed new borrowing. The position agreed in the Treasury Management Strategy approved by Council is set out in the table below along with the impact of the proposed increase. By revising the Capital Financing Requirement, Council is in effect approving that officers may enter into further borrowing up to £270,000. The Authorised Limit and Operational Boundary for borrowing will also need to be increased by the same amount.

	2017/18 £000's	2018/19 £000's	2019/20 £000's
Capital Financing Requirement as at 31 March (approved 31 July 17)	163,847	159,895	154,040
Add prudential borrowing Eckington Pool remedial works	270	270	270
Revised Capital Financing Requirement 31 March	164,117	160,165	154,310
Operational Boundary 31 March	169,117	165,165	159,310
Authorised Limit 31 March	174,117	170,165	164,310

2. Conclusions and Reasons for Recommendation

- 2.1 The report details the treasury management activities for the period April to September 2017 in line with the CIPFA Treasury Management Code of Practice.
- 2.2 While progressing the work at Eckington Pool requires that the Council undertake additional borrowing of £270,000, officers are satisfied that the requirements of the Prudential Code to ensure that Council borrowing be prudent, sustainable and affordable can be met.
- 2.3 On the basis that Council agrees to the recommendations contained within this report it will be necessary to amend the borrowing limits previously agreed within the Treasury Management Strategy at Council on 31 July 2017. Likewise these schemes will need to be included within the Council's Approved Capital Programme.

3 Consultation and Equality Impact

- 3.1 Appropriate consultation regards these works will be undertaken.

4 Alternative Options and Reasons for Rejection

- 4.1 Continue with carrying out minor repairs. This has been rejected as this is not cost effective over the forecast lifespan of the properties and will escalate the deterioration of the existing structures.

5 Implications

5.1 Finance and Risk Implications

- 5.1.1 There will be a requirement to increase the approved Capital Programme in order to fund these works. The additional Prudential Borrowing of £270,000 will have an impact on costs to the General Fund in the region of £60,000 per annum for the next five years.

6 Legal Implications including Data Protection

- 6.1 Having a Treasury Management Strategy in place complies with the requirements of the Local Government Act 2003 and updated advice and guidance from the Government and CIPFA.
- 6.2 Failure to perform the repairs at Eckington Pool may expose the Council to potential future legal liabilities.

7 Human Resources Implications

- 7.1 There are no HR issues arising directly from this report.

8 Recommendations

- 8.1 That Council note the treasury management activities undertaken during the period April to September 2017 as outlined in Appendix 1.
- 8.2 That Council approves prudential borrowing of £270,000 to fund remedial works at Eckington Pool.
- 8.3 That Council approves the remedial works at Eckington Pool for inclusion into the Approved Capital Programme.
- 8.4 That Council approves the revised Capital Financing Requirement, Operational boundary and Authorised Limit as set out in 1.9 of this report.

9. Decision Information

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC:</i> <i>Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC:</i> <i>Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Affected	Eckington
Links to Corporate Plan priorities or Policy Framework	Corporate Asset Management Strategy & Plan 2016-2021

9 Document Information

Appendix No	Title
Appendix 1	Treasury Management Activity April – September 2017/18
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
None	
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AGIN 11(c) (COUNC 1211) Treasury Management Update/AJD

PWLB Borrowing

The Council's total outstanding PWLB debt amounted to £155.451m at 1 April 2017. During the first two quarters of 2017/18 £1.151m has been repaid to the PWLB so the balance at 30 September 2017 is £154.300m. During the current financial year no new loans have been taken out with the PWLB. The profile of the outstanding debt is analysed as follows: -

PWLB Borrowing	Maturity Profile 31 March 2017 £'000	Maturity Profile 30 September 2017 £'000
Term		
12 Months	1,302	151
1 - 2 years	3,303	3,303
2 - 5 years	3,813	3,813
5 - 10 years	21,429	21,429
10 - 15 years	20,467	20,467
Over 15 years	105,137	105,137
Total PWLB Debt	155,451	154,300

PWLB Interest

The interest cost to the Council of the PWLB debt for 2017/18 is shown in the table below. The cost is split between the HRA and General Fund based on the level of debt outstanding within the CFR.

Date	Amount Paid to PWLB £'000
Less Accrued Interest re 2016/17	(50)
18/09/17	40
22/09/17	108
25/09/17	50
28/09/17	2,136
Plus Accrued Interest re 2017/18	477
Total Paid	2,761

Temporary Borrowing

Cash flow monitoring and management serves to identify the need for short term borrowing to cover delays in the receipt of income during the course of the year. During the current year to date short term borrowing from the Council's own bank hasn't incurred any interest charges. At the 30 September 2017 the Council had no temporary borrowing.

Temporary Investments

The tables below detail the short term investments made during the first two quarters 2017/18: -

Bank Name	B/Fwd 01/04/17 £'000	Invested £'000	Returned £'000	C/Fwd 30/09/17 £'000
Natwest	0	2,000	(2,000)	0
Santander	0	14,000	(12,500)	1,500
Federated	5,000	0	(0)	5,000
Standard Life	5,000	4,000	(4,000)	5,000
Coventry Building Society	0	1,250	(0)	1,250
Nationwide Building Society	0	1,000	(0)	1,000
West Dunbartonshire Council	0	4,000	(0)	4,000
Total	10,000	26,250	(18,500)	17,750

From the table above it can be seen that the balance invested by the Council at 30 September 2017 is £17.750m. Work is currently being undertaken to maximise interest yield from investments without any real increase to risk and within the confines of the approved treasury management strategy. The table above shows an investment placed with West Dunbartonshire Council, a covered bond with Coventry Building Society and certificates of deposit with Coventry and Nationwide Building Societies. These investments have only very recently been placed so the benefits will begin to be realised during the course of the coming year.

Interest earned from the above temporary investments during the first two quarters 2017/18 amounted to £22,496 and is detailed in the table below:-

Bank Name	Interest Receivable £
Nat West Bank	(25)
Santander	(1,071)
Federated	(4,398)
Standard Life	(4,052)
Coventry Building Society	(7,301)
Nationwide Building Society	(1,062)
West Dunbartonshire Council	(4,587)
Total	(22,496)

Overnight Investments

The balance of the daily surplus funds can be placed as overnight investments with the Councils bank which is Lloyds. The maximum amount invested with Lloyds in the first two quarters of the financial year was £4.779m. There has been no breach of the £5m limit set in the Treasury Management Strategy. The interest earned from daily balances to 30 September 2017 is £1,663.

Compliance with Treasury Limits

During the financial year the Council continued to operate within the treasury limits set out in the Council's Borrowing and Investment Strategy.

	Actual 2017/18 £'000	Set Limits 2017/18 £'000
Authorised Limit (total Council external borrowing limit)	162,764	175,555
Operational Boundary	154,300	170,555