Oldham Council

Report to COUNCIL

Treasury Management Review 2014/15

Portfolio Holder: Councillor Jabbar, Cabinet Member for Finance and HR

Officer Contact: Anne Ryans, Director of Finance

Report Author: Andy Cooper, Senior Finance Manager

Ext. 4925

9th September 2015

Reason for Decision

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2014/15. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2014/15 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year
- a mid-year (minimum) treasury update report
- an annual review following the end of the year describing the activity compared to the strategy (this report)

The presentation of this report demonstrates full compliance with the requirements as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members

This report was considered and approved at the Cabinet meeting of 20th July 2015 and will be presented to the next meeting of the Audit Committee on 17th September 2015.

Executive Summary

During 2014/15, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	2013/14 Actual £'000	2014/15 Revised £'000	2014/15 Actual £'000
Actual capital expenditure	43,664	89,796	66,851
Total Capital Financing Requirement:	479,872	534,730	527,364
Gross borrowing	148,117	148,117	148,117
External debt	396,120	443,853	426,660
Investments			
· Longer than 1 year	0	0	0
· Under 1 year	90,750	45,000	103,070
· Total	**90,750**	**45,000**	**103,070**
Net Borrowing	57,367	103,117	45,047

As can be seen in the table above, actual capital expenditure was less than the revised budget estimate. This was due primarily to delays in both start and development of some of the capital schemes that were expected to progress during the year. The planned expenditure has therefore slipped into 2015/16. No borrowing was undertaken during the year, again partly due to the reduced spending but also because of the policy of self-financing which was employed due to the uncertainty around interest rates which caused the Council to keep its investments short dated.

Other prudential and treasury indicators are to be found in the main body of this report. The Director of Finance also confirms that the statutory borrowing limit (the authorised limit) was not breached.

The financial year 2014/15 continued the challenging investment environment of previous years, namely low investment returns.

Recommendations

Council is recommended to:

1) Approve the actual 2014/15 prudential and treasury indicators in this report
2) Approve the annual treasury management report for 2014/15

Council **9th September 2015**

Treasury Management Review 2014/15

1 Background

1.1 The Council has adopted the Revised Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management 2011. The primary requirements of the code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's Treasury Management activities
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives
- Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year
- Delegation by the Council of responsibilities for implementing and monitoring Treasury Management Policies and Practices and for the execution and administration of treasury management decisions. In Oldham, this responsibility is delegated to the section 151 Officer (Director of Finance).
- Delegation by the Council of the role of scrutiny of the Treasury Management Strategy and policies to a specific named body. In Oldham, the delegated body is the Audit Committee.

Treasury management in this context is defined 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.* "

1.2 The report therefore summarises the following:-

- Council's capital expenditure and financing during the year;
- Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity; and
- Detailed investment activity
- Reporting of the required prudential and treasury indicators;

1.3 This report was considered and approved at the Cabinet meeting of 20th July 2015 and will be presented to the next meeting of the Audit Committee on 17th September 2015.

2 Current Position

2.1 The Council's Capital Expenditure and Financing during 2014/15

2.1.1 The Council incurs capital expenditure when it invests in or acquires long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

2.1.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed. As can be seen in the table below, actual capital expenditure in 2014/15 was less than the revised budget estimate. This was due primarily to delays in both start and development of some of the capital schemes that were expected to progress during the year. The planned expenditure has therefore slipped into 2015/16

	2013/14 Actual £'000	2014/15 Revised £'000	2014/15 Actual £'000
Non-HRA capital expenditure	40,320	83,607	61,060
HRA capital expenditure	3,344	6,189	5,791
Total capital expenditure	**43,664**	**89,796**	**66,851**
Resourced by:			
• Capital receipts	4,098	10,780	5,139
• Capital grants	15,872	26,090	17,182
• HRA	3,344	6,189	5,791
• Revenue	4,498	11,216	12,125
Unfinanced capital expenditure	**15,852**	**35,521**	**26,614**

2.2 The Council's Overall Borrowing Need

2.2.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2014/15 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

2.2.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.

Reducing the CFR

2.2.3 The Council's (non-Housing Revenue Account [HRA]) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non- HRA borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

2.2.4 The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- Charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

2.2.5 The Council's 2014/15 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2014/15 on 5th March 2014.

2.2.6 The Council's CFR for the year is shown in the table below and represents a key prudential indicator. It includes PFI and leasing schemes on the balance sheet, which increase the Council's borrowing need. In 2014/15 the Council had seven PFI schemes in operation; however no borrowing is actually required against these schemes as a borrowing facility is included within each contract.

CFR	2013/14 Actual (Restated) £'000	2014/15 Revised Budget £'000	2014/15 Actual £'000
Opening balance	466,698	479,699*	479,872
Add unfinanced capital expenditure (as above)	15,852	35,521	26,614
Add adjustment for the inclusion of on-balance sheet PFI and leasing schemes (if applicable)	19,758	38,840	39,221
Less MRP/VRP*	(11,589)	(11,836)	(10,886)
Less PFI & finance lease repayments	(10,847)	(7,493)	(7,457)
Closing balance	479,872*	534,730	527,364

* 2013/14 closing balance restated for 2014/15 final accounts, hence differs to 2014/15 revised budget opening balance as per the 2014/15 Treasury Management strategy report.

2.2.7 Borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

Gross borrowing and the CFR

2.2.8 In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2014/15) plus the estimates of any additional capital financing requirement for the current (2015/16) and next two financial years.

2.2.9 This essentially means that the Council is not borrowing to support revenue expenditure.

2.2.10 This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2014/15 if so required. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	2013/14 Actual £'000	2014/15 Revised Budget £'000	2014/15 Actual £'000
Gross borrowing position	148,117	148,117	148,117
CFR	479,872	534,730	527,364

The table above shows the position as at 31st March 2015 for the Councils gross borrowing position and CFR. This shows, compared to the revised budget position:

- No movement in the gross borrowing position, reflecting the fact that no repayment of existing debt or new borrowing has been undertaken.

- A small reduction in the CFR, predominantly due to the slippage in the capital programme.

The Authorised Limit

2.2.11 The authorised limit is the “affordable borrowing limit” required by Section 3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2014/15 the Council has maintained gross borrowing within its authorised limit.

The Operational boundary

2.2.12 The operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream

2.2.13 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.

	2014/15 Actual £'000
Authorised limit	590,000
Operational boundary	560,000
Actual external debt (Gross Borrowing inc. PFI)	426,660
Financing costs as a proportion of net revenue stream (General Fund)	14.90%

2.3 Treasury Position as at 31 March 2015

2.3.1 The Council’s debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council’s Treasury Management Practices.

2.3.2 At the end of 2014/15 the Council‘s treasury position was as follows:

	31 March 2014 Principal £'000	Rate/ Return	Average Life yrs	31 March 2015 Principal £'000	Rate/ Return	Average Life yrs
Fixed rate funding:						
-PWLB	15,723			15,723		
-Stock	6,625			6,600		
Market	125,768			125,794		
Total borrowings	**148,117**	4.38%	50.29	**148,117**	4.50%	49.90
PFI & Finance lease liabilities	**248,003**			**278,543**		
Total External debt	**396,120**			**426,660**		
CFR	**479,872**			**527,364**		
Over/ (under) borrowing	**(83,752)**			**(100,704)**		
Investments:						
- in house	90,750	0.49%		103,070	0.72%	
Total investments	**90,750**	**0.49%**		**103,070**	**0.72%**	

2.3.3 The maturity structure of the debt portfolio was as follows:

Maturity structure of fixed rate borrowing during 2013/14	2013/14 Actual %	Upper limit %	Lower limit %	2014/15 Actual %
Under 12 months	43.41%	50%	0%	46.78%
12 months and within 24 months	3.38%	40%	0%	13.67%
24 months and within 5 years	38.31%	50%	0%	24.64%
5 years and within 10 years	4.62%	50%	0%	4.62%
10 years and above	10.29%	100%	40%	10.29%

The 2014/15 actual figures above do not represent a significant difference in maturity profile to the previous year, reflecting the fact that there has be neither any new debt taken on or repayment of debt.

2.3.4 The maturity structure of the investment portfolio was as follows:

	2013/14 Actual £'000	2014/15 Actual £'000
Investments		
Longer than 1 year	0	0
Under 1 year	90,750	103,070
Total	**90,750**	**103,070**

2.3.5 Key features of the debt and investment position are:

a) Over the course of the year 2014/15, investments have increased by £12.320m.

b) The average rate of return decreased from 0.57% in 2013/14 to 0.52% in 2014/15. Continued low returns reflect current market conditions and the uncertainty of counterparty risk. The ‘informal’ policy adopted during 2013/14 was to limit the timeframe for investments to short dated investments; this was to ensure the security of funds, but also to allow flexibility as a result of receiving lower interest rates, in addition investments with commercial counter parties were restricted to on call only. This policy remained in place for the majority of 2014/15, hence the reduced average rate of return over the year, relaxations in the latter part of the year saw longer, fixed term investments being placed with other local authorities and approved financial institutions, this is reflected in the increased return (0.72%) on the investments held at the 31st March 2015.

2.4 The Strategy for 2014/15

2.4.1 The expectation for interest rates within the strategy for 2014/15 anticipated a low but rising Bank Rate (starting in quarter 1 of 2015), and gradual rises in medium and longer term fixed borrowing rates during 2014/15. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

2.4.2 The treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

2.4.3 The actual movement in gilt yields meant that PWLB rates saw little overall change during the first four months of the year but there was then a downward trend for the rest of the year with a partial reversal during February 2015.

2.5 The Economy and Interest Rates

2.5.1 The original market expectation at the beginning of 2014/15 was for the first increase in Bank Rate to occur in quarter 1 2015 as the unemployment rate had fallen much faster than expected through the Bank of England’s initial forward guidance target of 7%. In May, however, the Bank revised its forward guidance. A combination of very weak pay rises and inflation above the rate of pay rises meant that consumer disposable income was still being eroded and in August the Bank halved its forecast for pay inflation in 2014 from 2.5% to 1.25%. Expectations for the first increase in Bank Rate therefore started to recede as growth was still heavily dependent on buoyant consumer demand.

2.5.2 During the second half of 2014 financial markets were caught out by a halving of the oil price and the collapse of the peg between the Swiss franc and the Euro. Fears also increased considerably that the European Central Bank (ECB) was going to do too little too late to ward off the threat of deflation and recession in the Eurozone (EZ). In mid-October, financial markets showed signs of uncertainty for about a week. By the end of 2014, it was clear that inflation in the UK was going to head towards zero in 2015 and possibly even turn negative. In turn, this made it clear that the Monetary Policy Committee (MPC) would have great difficulty in starting to raise the Bank Rate in 2015 while inflation was around zero and so market expectations for the first increase receded back to around quarter 3 of 2016.

2.5.3 Gilt yields were on a falling trend for much of the last eight months of 2014/15 but were then pulled in different directions by increasing fears after the anti-austerity parties won power in Greece in January; initially leading to increased fears that Greece could be heading for an exit from the euro. Whilst the threat of such action has subsided it is felt that the direct effects of this would be manageable by the EU and ECB, it is though very hard to quantify quite what the potential knock on effects would be on other countries in the EZ once the so called impossibility of a country leaving the EZ had been disproved. Another downward pressure on gilt yields was the announcement in January that the ECB would start a major programme of quantitative easing, purchasing EZ government and other debt in March. On the other hand, strong growth in the United States (US) caused an increase in confidence that the US was well on the way to making a full recovery from the financial crash and would be the first country to start increasing its central rate, probably by the end of 2015. The UK would be closely following it due to strong growth over both 2013 and 2014 and good prospects for a continuation into 2015 and beyond. However, there was also an increase in concerns around political risk ahead of the general election held on 7th May 2015.

2.5.4 The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing throughout 2014/15.

2.5.5 The UK coalition Government maintained its tight fiscal policy stance in 2014/15 but strong economic growth and falling gilt yields led to a reduction in the forecasts for total borrowing in the March budget.

2.5.6 The European Union (EU) sovereign debt crisis had subsided since 2012 until the Greek election in January 2015 sparked a resurgence of fears. While the UK and its banking system has little direct exposure to Greece, it is much more difficult to quantify quite what effects there would be if contagion from a Greek exit from the Euro were to severely impact other major countries in the EZ and cause major damage to their banks.

2.6 Borrowing Rates in 2014/15

2.6.1 PWLB maturity rates are set out as follows and are shown in Appendix 2 for a selection of maturity periods, illustrating the range (high and low points) in rates, the average rates and individual rates at the start and the end of the financial year.

- **5 year PWLB rate -** started the year at 2.65%, peaking at 2.87% in July 2014 before falling to a low for the year of 1.71% in February 2015, climbing slightly to finish the year at 1.86%.

- **10 year PWLB rate** - started the year at 3.63%, peaking at 3.66% in June 2014 before falling to a low for the year of 2.18% in February 2015, climbing to finish the year at 2.45%.

- **25 year PWLB rate** - started the year at 4.29%, peaking at 4.30% 3 days later before falling to a low for the year of 2.85% in February 2015, before climbing to finish the year at 3.11%.

- **50 year PWLB rate. -** started the year at 4.27%, peaking 2 days later at 4.28% before falling to a low for the year of 2.82% in February 2015, climbing slightly to finish the year at 3.08%.

2.7 Borrowing Outturn for 2014/15

Treasury Borrowing

2.7.1 The Council did not undertake any borrowing in 2014/15:

Repayment of Debt

2.7.2 There was no repayment of outstanding Council debt in 2014/15.

2.8 Compliance with Treasury Limits.

2.8.1 During the financial year the Council operated within the prudential indicators as set in the annual treasury management strategy. The outturn for all the prudential indicators and treasury management indicators is shown in Appendix 1.

2.9 Investment Rates in 2014/15

2.9.1 Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for six years.

2.9.2 Market expectations as to the timing of the start of monetary tightening started the year at quarter 1 2015 but then moved back to around quarter 3 2016 by the end of the year.

2.9.3 Deposit rates remained depressed during the whole of the year, primarily due to the effects of the Funding for Lending Scheme. Deposit rate movements are summarised below;

- **7 Day rate**: this started the year at 0.338% and ended at 0.358%

- **1 month rate**: this started the year at 0.362% and ended at 0.378%

- **3 month rate**: this started the year at 0.402%, peaking towards the end of the year on both 27th and 31st March 2015 at 0.445%. The average for the year was 0.429%

- **6 month rate**: rates opened the year at 0.497% and peaked at 0.596% on 19th September 2014, ending the year marginally lower at 0.559%.

- **12 month rate**: this started the year at 0.783%, reaching a high point of 0.951% on 5th August 2014, ending the year at 0.841% on 31st March.

2.10 Investment Outturn

Investment Policy

2.10.1 The Council's investment policy is governed by CLG guidance, which has been implemented in the annual investment strategy which for 2014/15 was approved by Council on 5th March 2014. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

2.10.2 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Resources

2.10.3 The Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows:

Balance Sheet Resources (£'000)	31-Mar-14 £'000	31-Mar-15 £'000
Balances General Fund	19,683	18,122
Balances HRA	20,728	16,374
Earmarked reserves	72,184	98,696
Provisions	28,374	23,531
Usable capital receipts	3,562	4,085
Total	**144,531**	**160,809**

Investments at 31/3/14

2.10.4 The Council managed all of its investments in house with the institutions listed in the Council's approved lending list. At the end of the financial year the Council had £103.070m of investments as follows:

Start date	End date	Term – days	Rate %	Amount £'000	Institution
07-Jan-15	01-Apr-15	84	0.550%	1,000	Dudley MBC
20-Jan-15	30-Apr-15	100	0.500%	5,000	Leeds Building Society
10-Nov-14	11-May-15	182	0.700%	5,000	Bank of Scotland
10-Feb-15	11-May-15	90	0.570%	5,000	Bank of Scotland
04-Dec-14	04-Jun-15	182	0.700%	5,000	Bank of Scotland
16-Feb-15	18-Aug-15	183	0.660%	5,000	Nationwide BS
15-Apr-14	15-Oct-15	548	0.900%	5,000	Greater London Authority
09-Feb-15	09-Nov-15	273	0.800%	3,000	Bank of Scotland
26-Feb-15	26-Nov-15	273	0.780%	5,000	Barclays
23-Mar-15	21-Mar-16	364	0.920%	5,000	Barclays
01-Mar-15	01-Apr-15	31	0.470%	19,820	Ignis Money Market Fund (MMF)
27-Mar-15	01-Apr-15	5	0.460%	19,600	Federated (Primerate) MMF
31-Mar-15	01-Apr-15	1	0.430%	19,650	Goldman Sachs MMF
				103,070	

2.10.5 The Council's investment strategy was to maintain sufficient cash reserves to give it necessary liquidity, whilst trying to attain a benchmark average rate of return of London Interbank Bid Rate (LIBID) multiplied by 5%, whilst ensuring funds were invested in institutions which were the most secure. It should however be noted that, mindful of ensuring the security of its investments and because of the continued instability within financial markets, lending has again been for shorter periods because of historically low interest rates and also to give the Council greater opportunity to access its funds should it be perceived that one of the financial institutions holding Council resources was facing an uncertain future (taking into account lessons learned from recent events such as the demise of the Icelandic Banks). This has therefore been reflected in lower investments yields. The overall position was, however, kept under review during 2014/15 and was relaxed to allow longer term deposits in the latter part of the year so that income could be maximized.

2.10.6 During 2014/15, the average 7 day LIBID uncompounded was 0.352%, the target rate for the Council to achieve was therefore **0.3696%**

The Performance against this benchmark was as follows

a) An Actual Average Rate of return in year of **0.52%**

b) An Actual Rate of Return on investments on 31/3/14 of **0.72%**

3 Options/Alternatives

3.1 In order that the Council complies with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management the Council has no option other than to consider and approve the contents of the report. Therefore no options/alternatives have been presented.

4 **Preferred Option**

4.1 The preferred option is that the contents of the report are reviewed and approved by Council.

5 **Consultation**

5.1 There has been consultation with Capita Asset Services, Treasury Management Advisors and Cabinet on 20th July 2015.

6 **Financial Implications**

6.1 All included in the report.

7 **Legal Services Comments**

7.1 None

8 **Cooperative Agenda**

8.1 The treasury management strategy embraces the Council's cooperative agenda. The Council will develop its investment framework to ensure it complements the cooperative ethos of the Council.

9 **Human Resources Comments**

9.1 None

10 **Risk Assessments**

10.1 There are considerable risks to the security of the Authority's resources if appropriate treasury management strategies and policies are not adopted and followed. The Council has established good practice in relation to treasury management which have previously been acknowledged in Internal Audit reports and in the External Auditors' reports presented to the Audit Committee.

11 **IT Implications**

11.1 None

12 **Property Implications**

12.1 None

13 **Procurement Implications**

13.1 None

14 **Environmental and Health & Safety Implications**

14.1 None

15 **Equality, community cohesion and crime implications**

15.1 None

16 **Equality Impact Assessment Completed?**

16.1 No

17 **Equality Impact Assessment Completed?**

17.1 No

18 **Key Decision**

18.1 Yes

19 **Key Decision Reference**

19.1 CFHR-06-15

20 **Background Papers**

20.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref:	Background papers are provided in Appendices 1 and 2
Officer Name:	Anne Ryans
Contact No:	0161 770 4902

21 **Appendices**

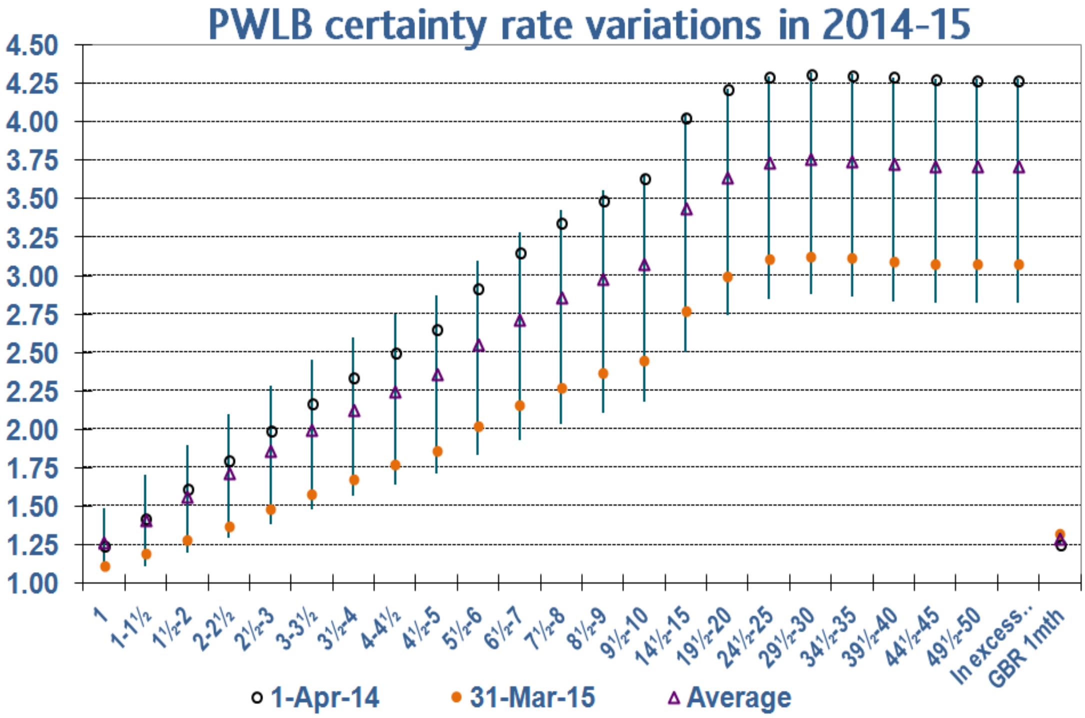
Appendix 1	Prudential and Treasury Management Indicators
Appendix 2	PWLB Rate Variations 2014/15

Appendix 1 – Prudential and Treasury Management Indicators

TABLE 1: Prudential indicators	2013/14	2014/15	2014/15	2014/15
	Actual	Original	Revised	Actual
	£'000	£'000	£'000	£'000
Capital Expenditure				
Non - HRA	40,320	111,174	83,607	61,060
HRA	3,344	2,353	6,189	5,791
TOTAL	43,664	113,527	89,796	66,851
Ratio of financing costs to net revenue stream				
Non - HRA	14.10%	16.81%	14.95%	14.90%
In year Capital Financing Requirement				
Non - HRA	13,174	87,425	55,031	47,492
TOTAL	13,174	87,425	55,031	47,492
Capital Financing Requirement as at 31 March				
TOTAL	479,872	597,618	534,730	527,364
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p
Increase in Council Tax (band D) per annum	£26.03	£55.93	£26.98	£25.23

TABLE 2: Treasury management indicators	2013/14 Actual	2014/15 Original	2014/15 Revised	2014/15 Actual
	£'000	£'000	£'000	£'000
Authorised Limit for external debt -				
borrowing	290,000	355,000	300,000	300,000
other long term liabilities	265,000	285,000	290,000	290,000
TOTAL	**555,000**	**640,000**	**590,000**	**590,000**
Operational Boundary for external debt -				
borrowing	270,000	335,000	280,000	280,000
other long term liabilities	255,000	275,000	280,000	280,000
TOTAL	**525,000**	**610,000**	**560,000**	**560,000**
Actual external debt	396,120			426,660
Upper limit for fixed interest rate exposure				
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%
Actual	100%			100%
Upper limit for variable rate exposure				
Net principal re variable rate borrowing / investments	40%	40%	40%	30%
Actual	0%			0%
Upper limit for total principal sums invested for over 364 days	20,000	20,000	20,000	20,000

Appendix 2: PWLB Rate Variations 2014/15



PWLB Borrowing Rates 2014/15 for 1 to 50 years

	01/04/2014	31/03/2015	High	High Date	Low	Low Date	Average	Spread
1	1.240%	1.110%	1.490%	16/07/2014	1.080%	23/01/2015	1.266%	0.410%
1- 1.5	1.420%	1.190%	1.700%	03/07/2014	1.110%	06/01/2015	1.417%	0.590%
2.5- 3	1.990%	1.480%	2.280%	03/07/2014	1.380%	07/01/2015	1.863%	0.900%
3.5- 4	2.340%	1.680%	2.600%	03/07/2014	1.570%	07/01/2015	2.130%	1.030%
4.5- 5	2.650%	1.860%	2.870%	03/07/2014	1.710%	02/02/2015	2.362%	1.160%
9.5- 10	3.630%	2.450%	3.660%	20/06/2014	2.180%	02/02/2015	3.083%	1.480%
24.5- 25	4.290%	3.110%	4.300%	03/04/2014	2.850%	02/02/2015	3.737%	1.450%
49.5 50	4.270%	3.080%	4.280%	02/04/2014	2.820%	02/02/2015	3.719%	1.460%
1 month Variable	1.250%	1.320%	1.340%	17/09/2014	1.250%	01/04/2014	1.290%	0.090%