Report to:	Shadow Strategic Policy & Resources Committee
Subject:	**CIPFA Prudential Code and Treasury Management Indicators**
Date:	20 March 2015
Reporting Officer:	Ronan Cregan, Director of Finance and Resources
Contact Officer:	Mark McBride, Head of Finance and Performance

1	**Relevant Background Information**
1.1	The Local Government Finance Act (NI) 2011 and the supporting Prudential and Treasury Codes produced by the Chartered Institute of Public Finance and Accountancy (CIPFA), require the council to consider the affordability and sustainability of capital expenditure decisions through the reporting of prudential and treasury management indicators.
1.2	This report provides information for Members on the prudential indicators for Belfast City Council for the period 2015/16 to 2017/18 and the Council's Treasury Management Strategy for 2015/16.
2	**Key Issues**
2.1	The Local Government Finance Act (NI) 2011 requires the Council to adopt the CIPFA Prudential Code for Capital Finance in Local Authorities. In doing so, the Council is required to agree a minimum revenue provision policy annually and set and monitor a series of Prudential Indicators, the key objectives of which are to ensure that, within a clear framework, the capital investment plans of the council are affordable, prudent and sustainable.
2.2	At the Strategic Policy and Resources Committee on the 9 December 2011, Members approved the Council's Treasury Management Policy which is based on the CIPFA Treasury Management Code of Practice. The Treasury Management Policy requires that a Treasury Management Strategy be presented to the Strategic Policy and Resources Committee on an annual basis and that it is supported by a mid-year and year end treasury management reports.
2.3	The prudential indicators are included as Appendix A, while the treasury management strategy and treasury management indicators have been included as Appendix B.

2.4	The comparison of “Gross Borrowing” to “Capital Financing Requirement (CFR) is the main indicator of prudence when considering the proposed capital investment plans of the Council. Estimated gross borrowing should not exceed the CFR for the current year plus two years. The Council’s estimated gross borrowing position, illustrated in Table 3, Appendix A, is comfortably within the CFR in the medium term. The Director of Finance and Resources therefore considers the estimated levels of gross borrowing as being prudent.
2.5	Table 4 and 5 (Appendix A) shows the estimated financing costs for capital expenditure as a percentage of the estimated net revenue stream for the Council, based on the medium financial plan, and the incremental impact on the rates of the Investment Programme. These illustrate that in the medium term, capital financing costs will represent 9.19% of the Council’s net running costs. On this basis the Director of Finance and Resources is satisfied that the level of capital expenditure is affordable.
2.6	The Finance Act requires the Council to set an affordable borrowing limit, relating to gross debt. The Prudential Code defines the affordable limit as the “Authorised Borrowing Limit” and gross borrowing must not exceed this limit. Table 6 (Appendix A) sets out the recommended “Authorised Borrowing Limit” for the Council as being £142m.

3	**Recommendations**
3.1	Members are asked to note the contents of this report and the prudential and treasury management indicators included within the appendices to the report. Members are also asked to agree: • The Authorised Borrowing Limit for the Council of £142m. • The Treasury Management Strategy for 2015/16, which has been included as Appendix B to this report
4	**Decision Tracker** Responsible Officers: Director of Finance & Resources