

Quarter 2 2014-15 Treasury Management Report

The Local Government Finance Act (NI) 2011, and the supporting Prudential and Treasury Codes introduced a new capital financing system and legislative framework within which the Council may manage its finances.

It is set out in the Councils Treasury Management policy, that the Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy, a mid-year review and an annual report after the close of the financial year.

This report meets the latter requirement and is structured to highlight key changes to the Councils capital activity and the actual and proposed treasury management activity.

1 Prudential Indicators

The Act and CIPFAs Prudential Code require Council to set and monitor a series of Prudential Indicators (PIs). The key objective of which is to ensure that, within a clear framework, the capital investment plans of the Council are affordable, prudent and sustainable.

1.1 Capital Expenditure PI

	Original	Revised
Indicator	£'000	£'000
Estimates of Capital Expenditure 2014/15	39,025	21,158

The original estimate reflects the capital budgets that were approved by Council on 21 February 2014, whilst the revised estimate reflects the capital expenditure that is forecast to be spent by 31 March 2015. The decrease in the forecast for this year is mainly due to the re-profiling of the capital programme. As the overall total has not changed this does not affect the financing of the capital programme.

1.2 Other Prudential Indicators

The following table summarises the other key PIs.

	Original Estimate	Current Estimate
Indicator	£'000	£'000
Capital Financing Requirement (CFR)	71,437	50,541
Borrowing Within CFR	yes	yes

As can be seen above the CFR estimate has reduced. This is due to financing decisions made at the end of the previous financial year and the slippage in the current years capital programme. The council is forecast to remain within the Authorised Borrowing Limit, and the CFR indicates that over the medium term borrowings will only be for a capital purpose.

2 Treasury Management

The Councils Treasury Management Policy and Strategy adopt the key principles of CIPFAs Code of Practice and have taken account of the guidance issued by the Department of The Environment on Local Government Investments.

2.1 Debt Activity

During the first half of 2014/15 the Council has taken advantage of internal borrowing, i.e. cash surpluses, to fund capital expenditure.

In addition, loan principal repayments of £386,010.90 have been made during the same period.

The level of external borrowings at 30 September 2014 is £23,551.40.

2.2 Investment Strategy 2014-15

The objectives of the Council's investment strategy are safeguarding the repayment of the principal and interest of its investments on time – the investment return being a secondary objective. The current investment climate is one of overriding risk consideration, particularly that of counterparty risk. As a result, officers continue to implement an operational investment strategy which maintains investments short term with high quality counterparties.

The Council has earned of £158,494.68 in interest in the period from 1 April to 30 September 2014.

During this period the Council has placed deposits with Bank of Scotland, Santander UK and Barclays. All three institutions meet the council's approval criteria. We are currently in the process of opening a similar facility with HSBC

The Council's limit for total principal sums invested for periods longer than 364 days is £2,000,000. As at 30 September 2014, the Council has not made any investments which are for periods longer than 364 days.

2.3 Other Treasury Management Indicators

Two other Treasury Management indicators were set at the start of the year as follows: -

- Upper Limits for Fixed and Variable Rate Borrowing
- Limits on the Maturity of Fixed Rate Borrowing

Officers can confirm that the limits set have not been breached and no changes to the current limits are required.