Ballymoney Borough Council
Council Meeting No 957 – 13th February 2012

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BALLYMONEY BOROUGH COUNCIL

Minutes of Council Meeting No 957 held in the Council Chamber, Riada House, Ballymoney on Monday 13th February at 7.00 pm.

IN THE CHAIR: Councillor I Stevenson, Mayor

PRESENT:

Aldermen
H Connolly
C Cousley, MBE
B Kennedy

Councillors
J Atkinson
W Blair
J Finlay
R Halliday
R McAfee
P McGuigan
T McKeown, Deputy Mayor
C McLaughlin
E Robinson
I Stevenson

APOLOGIES:

Councillors
A Cavlan
M Storey, MLA

IN ATTENDANCE:

Chief Executive
Director of Borough Services
Director of Central & Leisure Services
Head of Corporate & Development Services

957.1 - RATE ESTIMATE 2012/13

The Chief Executive referred members to report he had prepared, as Council's Chief Financial Officer, on the robustness of the estimates, to comply with the new Local Government Finance Act (NI) 2011, copy circulated. He explained that Council shall have regard to the report when considering the estimates. He would present the report later in the meeting.

The following revised papers, arising from decisions made at Council Meeting on 8th February had been circulated:

- Rate estimates 2012/13, version 5 summary.
- Minimum Revenue Provision Policy.
- Draft Treasury Management Policy.

The Chief Executive advised that the business of the meeting was to give consideration to the rate estimate (v.5) for year commencing 1st April 2012 and to determine the district rate for the year commencing 1 April 2012, including approval of:

a. Minimum Revenue Provision Policy
b. Treasury Management Policy and Strategy for 2012/13
c. Prudential Indicators (a copy of which was circulated to the meeting)

Councillor Finlay drew attention to spend of around £50,000 included in the estimates which he emphasised was a one-off cost on rates for special events in 2012.

Councillor Finlay then proposed that the following slight changes to the proposed capital programme be made, seconded by Councillor Atkinson and **AGREED:**

a. Move Megaw Park, Phase 1 & 11 from year 2012/13 to 2013/14
b. Move Riverside Park Improvements from year 2013/14 to 2012/13
c. Add IT upgrade (previously removed) to year 2012/13 – an additional cost on rates of £1889.

A copy of the revised Capital Programme is attached as **Appendix A.**

The Director of Central & Leisure Services confirmed that the change agreed does not impact on the 2012/13 rate estimate but would impact on the Prudential Indicators.

The Chief Executive confirmed that to avoid an increase in cost beyond the total loan charges of £60,000 agreed at the last meeting the additional cost of including the IT upgrade could be met by reducing the community infrastructural project cost by this amount.

Councillor McKeown referred to contributions to other bodies and appealed for an increase of £500 for the Road Safety Committee to provide adequate funding for its core operating costs and to secure its future. In response to comments by Councillor Robinson regarding government funding he advised that the committee no longer received a contribution from DoE for core costs and could only apply for funding towards project costs. It was noted that future additions to revenue costs at this stage would involve recalculation of rate and no action was taken.

The Director of Central & Leisure Services advised that the 1% balance applied amounted to £59,000.

Referring to Treasury Management Policy the Director of Central & Leisure Services drew attention to two specific items in the policy.

a. Borrowings – All long term borrowings will be from the Government Loans Fund at concession rate
b. Credit rating criteria – BBB+/A-2 for long term and short term investment

She presented the prudential indicators paper.

The Chief Executive presented his report, as Chief Financial Officer, on the robustness of the estimates, attached as **Appendix B.** Outlining the issues of concern he said he remained broadly satisfied that the estimates put forward, showing an increase in the District Rate of 3.05%, are sufficiently robust to allow the Council to deliver its services to a satisfactory level in normal circumstances. He asked Council to note the report.

It was proposed by Councillor Kennedy seconded by Councillor Atkinson and **AGREED:**

> ***that the report by the Chief Executive, as Chief Financial Officer, on the robustness of the 2012/13 estimates, Appendix B to these minutes, be noted.***

It was proposed by Councillor Finlay seconded by Councillor Atkinson and **AGREED:**

that Council

a. ***Approve estimates of income and expenditure with total net expenditure of £7,539,259, and set district rates, non-domestic property rate of 27.4720 pence and domestic property rate of 0.3525 pence (summary – Appendix C), for the financial year 2012/13, an increase of 3.05%.***

b. ***Approve the Treasury Management Policy and strategy (Appendix D).***

c. ***Approve the setting up of Accounts with appropriate financial institutions and approve that such accounts will be managed by the Director of Central & Leisure Services and Head of Finance and IT, who area also authorised as signatories for the accounts.***

d. ***Approve the Prudential Indicators (Appendix D).***

Councillor Kennedy expressed thanks to officers and fellow councillors for their hard work and contribution to get the rate to where it is and hoped their efforts are appreciated by ratepayers.

Other members, The Mayor, Alderman Connolly, Councillor Robinson, associated themselves with the Alderman's remarks. Councillor McGuigan expressed confidence in the estimates agreed and believed the difficult decisions councillors had taken were in the best interests of the people council serves. He said, while he was unhappy with some of the items contained in the estimate book, overall with few exceptions, he was content council did a good job for the ratepayers.

The Chief Executive referred to the process to consider the rate estimates, involving a workshop, meetings of standing committees to consider specific projects, followed by six meetings of council, a total of 11 meetings. He recorded thanks to his two directors and his Head of Service, commenting on the Council's position, as third lowest in the cluster and lowest of the other six councils in County Antrim.

This concluded the business of the meeting, the time being 8.00 p.m.

Appendices listed:

Appendix A	-	Revised Capital Programme
Appendix B	-	Report by Chief Financial Officer
Appendix C	-	Estimates of Income and Expenditure
Appendix D	-	Treasury Management Policy & Strategy 2012/13 Prudential Indicators

APPENDIX A

Capital Expenditure 2012/2013

	cost £	grant, other income £	borrowing requirement £	asset life years	mrp £	interest £	2013/14 charge on rates £
Replacement Vehicles - Env Services - RCV (2004)	137,000		137,000	12	11,417	3,650	15,067
Essential Resurfacing Work @ Knock Road CA Site & Depot	17,500		17,500	12	1,458	467	1,925
Replacement Vehicles - Env Services - Van (2002)	10,000		10,000	12	833	267	1,100
Replacement Plant/Vehicles - Amenities - Van (1997)	20,000		20,000	12	1,667	533	2,200
Dervock Community Facilities Phase 1 & 2	1,000,000		1,000,000	30	33,333	35,204	68,537
Riverside Park Improvements	275,000		275,000	25	11,000	8,432	19,432
Resurfacing Cemetery Entrance	15,000		15,000	20	750	440	1,190
Fence Re-instatement/essential repairs	50,000		50,000	20	2,500	1,466	3,966
Bus Shelter provision	20,000		20,000	15	1,333	556	1,889
Temp Partial Repairs to Wet & Dry Ducts in Swimming Pool	40,000		40,000	10	4,000	1,030	5,030

IT Upgrade	55,000		55,000	4	13,750	1,022	14,772
Community Infrastructure Projects	191,000		191,000	20	9,550	5,605	15,155
Scenic route/trails	100,000	75,000	25,000	20	1,250	733	1,983
Drumaheglis Watersports facility	514,000	494,000	20,000	30	667	637	1,304
Biodiversity Riverside Park Cloughmills	76,000	56,000	20,000	20	1,000	586	1,586
Village regeneration projects	45,000	33,750	11,250	20	563	329	892
TOTAL	**2,565,500**	**658,750**	**1,906,750**		**95,071**	**60,957**	**156,028**

Appendix B

Report by Chief Financial Officer on Estimates for 2012/13
The Local Government Finance Act (Northern Ireland) 2011 states:

> **Report by chief financial officer on estimates**
> **4.**---(1) The chief financial officer of a council shall submit to the council a report on the robustness of the estimates.
> (2) A council shall have regard to that report when considering the estimates under section 3(2)(a).
> (3) In this section "the estimates" means the estimates submitted to the council under section 3(1). [section 3(1) reads: "In each financial year a council shall cause to be submitted to it estimates of the income and expenditure of the council during the next financial year."]

I understand the term robustness to mean the degree to which the estimates are reasonably sufficient to allow services to be delivered in normal circumstances; that is the test I have applied.

Council required the officers to produce a budget which was no more than 5% higher than the current year's. The finalised estimate, before applying a balance, is around 4.08%, roughly in line with annual inflation as measured by CPI (4.2% in December 2011). However, a general inflationary increase has <u>not</u> been applied across budgets and no provision has been included for an employee pay increase. Members should also be aware that the budget does <u>not</u> include any funding to pay for replacement cover when staff are sick.

The age of the vehicle fleet is of concern; many of the essential services operated by Council for the benefit of every householder and other users rely very heavily on vehicles. Circumstances could arise where services are disrupted or budgetary provisions for vehicle running costs are exceeded.

Assumptions have had to be made about the level of grant from certain departments (e.g. OFMDFM and DSD) and the same figures as the current year have been included, where new budgets are not confirmed.

Currently the District Fund stands at 5.1% of total net expenditure for 2012/13 (version 5) – just above the lower limit of 5% recommended by DoE. If no loan charges are incurred in 2011/12 the District Fund will increase at March 2012 to near the upper limit of 7.5%. However, members need to be aware that the District Fund has to cover the proposed balance to be applied to this rate, the cost of settling equal pay claims and the shortfall in the closure fund for the landfill site. In the case of the landfill fund, accounting standards require known reliable estimates of expenditure to be provided for and as the accounts are to be produced in accordance with accounting standards then the known shortfall should be provided for in 2011/12 and 2012/13. The shortfall is £200,000 and no funding is allocated within these estimates to match it.

Having recorded these matters of concern, I remain broadly satisfied that the estimates put before members tonight (which show an increase in the Domestic Rate of 3.08%) are sufficiently robust to allow the council to deliver its services to a satisfactory level in normal circumstances.
Council is asked to note this report.

APPENDIX C

VERSION 5

2012/2013 GENERAL ESTIMATE OF RATES - BALLYMONEY BOROUGH COUNCIL

SERVICES	Capital Charges £	Other Expenditure £	Misc. Income £	Net Cost £
Cultural Facilities	20,655	245,447	0	266,102
Town Hall	49,878	111,614	38,360	123,132
Sports Development	0	97,359	36,000	61,359
Indoor Leisure	317,070	1,447,865	630,000	1,134,935
Summer Scheme	0	13,500	0	13,500
Sports Grounds Parks & Open Spaces	372,692	824,462	38,000	1,159,154
Tourist Facilities	84,869	149,052	107,500	126,421
Tourism	0	158,690	42,500	116,190
Community Services	50,142	82,051	21,500	110,693
Community Relations	0	139,788	107,866	31,922
Cemeteries	3,261	81,771	19,500	65,532
Public Conveniences	6,811	35,971	0	42,782
Environmental Health	0	677,420	264,835	412,585
Dog Control	2,141	94,935	17,500	79,576
Licensing	0	24,495	13414	11,081
Street Cleaning	25,871	250,538	16,500	259,909
Waste Collection	87,681	798,560	224,720	661,521
Waste Disposal	46,313	1,304,223	53,500	1,297,036
Building Control	0	268,520	130,000	138,520
Other Community Assets	4,500	55,669	0	60,169
Minor Works	613	4,100		4,713
Economic Development		189,182		189,182
Members Allowances		200,665		200,665
Mayors Allowance		9,604		9,604
Official & Courtesy Visits		21,000		21,000
Democratic Representation	-	223,322		223,322
Corporate Management Costs	0	430,862		430,862
Non Distributed Costs		11,930		11,930
Registration Births Deaths & Marriages		37,928	37,928	0
Election Expenses		2,500		2,500
Emergency Planning		5,000		5,000
Contributions		22,550		22,550
S115 Expenditure		0		0
Policing & Community Safety Partnership		170,838	133,648	37,190
Bank Interest			20,000	-20,000
Totals	**1,072,497**	**8,191,411**	**1,953,271**	**7,310,638**

Total Expenditure		9,263,908		7,310,638
Deduct Capital Charges				1,147,825
Add MRP and Interest				1,376,446
Total Net Expenditure				**7,539,259**
Grants -	De-rating		277,744	
	Rates Support		1,060,048	1,337,792
				6,201,467
Balance Applied				59,000
Net Amount To Be Raised				**6,142,467**
Est Product of 1p Rate				223,590
District Rate -	**Non - Domestic Property**			**27.4720**
	Domestic Property	0.012833		**0.3525**
		Domestic Rate Increase	**0.0104**	**3.05%**

APPENDIX D

Ballymoney Borough Council
Treasury Management Policy

Background

Regulation 19 of the Local Government (Capital Finance and Accounting) Regulations (Northern Ireland) 2011 requires the Council, in carrying out its capital finance functions, to have regard to the CIPFA Code of Practice in 'Treasury Management in the Public Services'.

The Local Government Finance Act (Northern Ireland) 2011, section 25(1), also requires a Council to have regard to guidance issued by the Department of the Environment on Local Government Investments.

This Policy and the associated Treasury Management Practices and Treasury Management Strategy for 2012/13 have been set in the context of the aforementioned Guidance and Regulations.

Treasury Management Policy

In setting this policy Ballymoney Borough Council is thereby adopting the key principles of CIPFAs Treasury Management in the Public Sector: Code of Practice as described in section 4 of that code.

Accordingly the Council will create and maintain, as the cornerstones for effective treasury management:

1. a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities

2. suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The Council defines its treasury management activities as:

- The management of its 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.

- This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.

- The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management.

The Council will be responsible for the implementation, regular monitoring and approval of its treasury management policies and practices via the Corporate & Central Services Committee. The council delegates the responsibility for the execution and administration of treasury management decisions to *the Director of Central & Leisure Services.* The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after the close of the financial year.

Treasury Management Practices

CIPFAs Treasury Management Code of Practice recommends that an organisation's treasury management practices (TMPs) include those, from the following list, that are relevant to its treasury management powers and activities: -

TMP1	Risk management
TMP2	Performance measurement
TMP3	Decision-making and analysis
TMP4	Approved instruments, methods and techniques
TMP5	Organisation, clarity and segregation of responsibilities, and dealing arrangements
TMP6	Reporting requirements and management information arrangements
TMP7	Budgeting, accounting and audit arrangements
TMP8	Cash and cash flow management
TMP9	Money laundering
TMP10	Training and qualifications
TMP11	Use of external service providers
TMP12	Corporate governance

TMP1 Risk Management

General statement

The Director of Central & Leisure Services will:

- design, implement and monitor all arrangements for the identification, management and control of treasury management risk;
    - report annually on the adequacy of these arrangements; and
- report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives in this respect.

In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the Councils Annual Treasury Management Strategy.

1. **Credit and Counterparty Risk Management**

   This Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited. The Council will limit its investment activities to the instruments, methods and techniques listed in its annual Treasury Management Strategy and with the counterparties listed within the same document.

2. **Liquidity Risk Management**

   The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its service objectives.

The Council will only borrow in advance of need where there is a clear business case for doing so and where it is for the purposes of the prudent management of its financial affairs. It will not borrow purely to invest at a profit.

3. Interest Rate Risk Management

The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues.

4. Exchange rate risk management

This is not considered to be a material risk for the Council.

5. Refinancing Risk Management

This has not been identified as a risk for the Council as the Council has no plans to enter into any refinancing arrangements. The penalties in respect of early redemption of loans outweigh the benefits of re-financing the loans at lower interest rates.

6. Legal and Regulatory Risk Management

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

7. Fraud, Error and Corruption, and Contingency management

The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

8. Market Risk Management

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

TMP2 Performance Measurement

The Council is committed to the pursuit of value for money in its treasury management activities, within the framework set out in its treasury management policy statement.

TMP3 Decision-making and analysis

The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions.

TMP4 Approved instruments, methods and techniques

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in its annual Treasury Management Strategy.

TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements

The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

TMP6 Reporting Requirements and Management Information Arrangements

The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities. As a minimum the Council will receive an annual report on the strategy to be pursued in the coming year, a mid-year review, and an annual report after the close of the financial year.

TMP7 Budgeting, Accounting and Audit Arrangements

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The Corporate & Central Services Committee will have responsibility for the scrutiny of treasury management practices.

TMP8 Cash and Cash Flow Management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the council will be under the control of the Director of Central & Leisure Services and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Director of Central & Leisure Services will ensure that these are adequate for liquidity purposes.

TMP9 Money Laundering

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained.

TMP10 Training and Qualifications

The Council recognises the importance of ensuring that staff and elected Members, involved in treasury management are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to provide training to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

TMP11 Use of External Service Providers

At present the Council does not use any external provider in respect of Treasury Management services, advice, or guidance. If the Council were to seek to employ such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits, and Council approval will be sought beforehand.

TMP12 Corporate Governance

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key principles of CIPFAs Treasury Management Code. This is considered vital to the achievement of proper corporate governance in treasury management, and the Director of Central & Leisure Services will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

TREASURY MANAGEMENT STRATEGY 2012/13

INTRODUCTION

This strategy statement sets out the expected treasury management operations for 2012/13 linked to the Council's Medium Term Financial Plan, Capital Investment Plan, and the Council's Corporate Plan. It is based on CIPFAs Treasury Management Code of Practice and the Prudential Code as well as Guidance from the Department of the Environment. It contains the following key requirements:

(a) The treasury management strategy.
(b) The reporting of the prudential indicators.
(c) The investment strategy.

This strategy provides an approved framework within which the officers undertake the day to day capital and treasury activities.

TREASURY MANAGEMENT STRATEGY

The strategy for 2012/13 in respect of treasury management covers:

(a) prospects for interest rates;
(b) capital borrowing;
(c) debt re-scheduling;
(d) annual investment strategy;
(d) treasury management advisers;
(f) prudential indicators.

PROSPECTS FOR INTEREST RATES

Economists now forecast interest rates will remain unchanged from 0.5% for the next year and it may be as late as autumn 2014 before it rises.

CAPITAL BORROWING

The borrowing requirement comprises the expected movement in the Capital Financing Requirement. The Council's net capital borrowing requirement for 2012/13 is presently estimated at £**12**m but this can vary if the capital programme is amended during the year.

In terms of meeting the external borrowing requirement identified above, one of the most important considerations is the timing, in terms of the potential to save significant interest costs. It is essential therefore that the considerations of timing of borrowing form a key element of the borrowing strategy.

One of the key borrowing objectives is to achieve certainty around interest costs and there is therefore little appetite to undertake variable rate borrowing. It is unlikely that long term interest rates will fall over the medium term and therefore to reduce the risk of rising interest rates, officers will seek to carry out the external borrowing in the financial year to which the expenditure relates.

It is expected that requirements for long term borrowing will be met from the Government Loans Fund.

DEBT RESCHEDULING

Debt restructuring opportunities will be kept under review. Recent experience has shown that penalties in respect of early redemption of loans outweigh the benefits of re-financing the loans at lower interest rates.

ANNUAL INVESTMENT STRATEGY

The primary purpose of the Annual Investment Strategy is to set out the policies for managing investments giving priority to the security and liquidity of the Council's investments. It also contains the policy on the use of credit ratings and credit ratings agencies, procedures for determining and limiting the use of higher risk investments and the use of external advisors.

The Council's investment priorities are (a) the security of capital and (b) liquidity of its investments. The Council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

A counterparty list of institutions with which the Council will invest shall be maintained by reference to the criteria set out below for the different categories of institution and their credit rating. Under the guidance, investments fall into two separate categories, either specified or non-specified investments.

Specified Investments

Specified investments offer high security and high liquidity and satisfy the conditions set out below:

- The investment is denominated in sterling and any payments or repayments in respect of the investment are payable in sterling only.
- The investment is not a long-term investment (has a maturity of less than one year).
- The investment does not involve the acquisition of share capital or loan capital in any body corporate.
- The investment is made with a body or in an investment scheme which has been awarded a high credit rating by a credit rating agency, or with the UK Government, a district council; or a local authority in England or Wales (as defined in section 23 of the 2003 Act) or a similar body in Scotland.

The following categories of investments may be used under the definition of specified investments:

- Short term cash deposits
- Call accounts
- Certificates of Deposit (with maturity dates < 1 year)
- UK Government Gilts
- Treasury Bills

Credit Rating Criteria

The Council will invest with institutions that have a high credit rating assigned by any of the three credit ratings agencies (Fitch, Moodys and Standard & Poors). To be deemed highly rated the institution must satisfy at least the minimum of the following Standard and Poors (or equivalent) criteria:

- Long term credit rating BBB+
- Short term credit rating A-3

The following organisations are those which will be considered for investments in 2012-13:

Banking Institution	Credit Rating
Ulster Bank	BBB+/A-2
Barclays	A/A-1
Santander	A/A-1
Northern (Dankse)	A/A-1

Regardless of the credit rating assigned to an institution or whether it is covered by a guarantee, if any doubt over its financial standing exists then that institution is removed immediately from the counterparty lending list.

Investment Limits

The Council will invest surplus cash balances to a maximum of 25% of the overall investment, allocated on the basis of highest interest yield.

Non-Specified Investments

Non-specified investments are those investments which do not, by definition, meet the requirements of a specified investment as set out above. They present a higher risk and therefore this Council does not intend to make any Non-Specified investments in 2012-13

Risk Management of Investment Counterparties

Credit ratings are only the starting point when considering credit risk. Officers will also consider external reliable evidence, such as information in the financial press, to inform decisions on investments.

Liquidity of Investments

Each investment decision is made with regard to cash flow requirements resulting in a range of maturity periods within the investment portfolio. All investments will be short term having a maturity of not more than one year.

Reporting Arrangements

As set out in TMP6, the Council will receive an annual report on the strategy to be pursued in the coming year, a mid-year review, and an annual report after the close of the financial year.

External Advisers

There are currently no plans to use External Advisers during 2012/13. If this should change then Officers will follow the practice set out under TMP11, i.e. they will ensure the reasons have been submitted to a full evaluation of the costs and benefits, and Council approval will be sought before any appointment is made. The Council recognises that responsibility for the decision to invest with a counterparty rests with the Council as the principal undertaking the transaction.

Training

The Council recognises that investments, as well as wider treasury management issues require a high level of specialist knowledge. The Council will review staff training needs in respect of Treasury Management skills.

In addition training will be provided for elected members to enable them to provide effective scrutiny of the strategy and to have the knowledge to make informed decisions.

APPENDIX D

PRUDENTIAL INDICATORS:

The Local Government Finance Act (Northern Ireland) 2011 requires Council to adopt the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities. In doing so, the Council is required to set and monitor a series of Prudential Indicators, 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

The Council is required to set and monitor a range of indicators under the following headings: -

- Capital Expenditure
- Affordability
- Financial Prudence
- External Debt
- Treasury Management

1. Capital Expenditure Indicators

1.1. Capital Expenditure

This indicator is required to inform the Council of capital spending plans for the next three years. It is the duty of a local authority to determine and keep under review the amount that it can afford to allocate to capital expenditure.

The estimates of gross capital expenditure to be incurred for the current and future years is summarised below:

Prior Year	Current Year	Year +1	Year +2	Year +3
367,650	1,264,597	2,565,500	820,000	1,000,000

1.2. Capital Financing Requirement

The Capital Financing Requirement measures the Council's underlying need to borrow for capital purposes. It shows the total estimated capital expenditure that has not been resourced from capital or revenue sources. This requirement will eventually be met by revenue resources through the Minimum Revenue Provision mechanism.

Estimates of the end of year **Capital Financing Requirement** for the Council for the current and future years is summarised below:

Prior Year	Current Year	Year +1	Year +2	Year +3
11,610,089	12,355,442	13,573,622	13,591,981	13,691,040

The Council can finance capital schemes in a variety of ways including:

- the application of capital receipts;
- the application of a capital grant;
- the application of a specified fund;
- a direct charge to revenue;
- borrowings;

It is only the latter method that increases the Capital Financing Requirement of the Council.

2. Affordability Indicators

2.1. Ratio of Financing Costs to Net Revenue Stream

This indicator measures the proportion of the revenue budget that is being allocated to finance capital expenditure. Estimates of the ratio of financing costs to net revenue stream for the current and future years are:

Prior Year	Current Year	Year +1	Year +2	Year +3
15.2%	14.3%	19.0%	20.2%	21.2%

2.2. Estimates of Incremental Impact of New Capital Investment decisions on the Rate

This is a key affordability indicator that demonstrates the incremental effect of new capital expenditure on the District Rate. The indicator reflects the impact of additional financing arrangements resulting from the Capital Programme. No formal comparison of this was made in prior years and is hence not applicable.

Prior Year	Current Year	Year +1	Year +2	Year +3
N/A	N/A	5.9%	1.7%	1.4%

3. Financial Prudence Indicator

3.1. Net External Borrowing and the Capital Financing Requirement

This indicator records the extent that net external borrowings (gross external borrowings less investments) is less than the capital financing requirement. This is a key indicator of the Council's prudence in managing its capital expenditure and is designed to ensure that, over the medium term, external borrowing is only for a capital purpose. Estimates of the end of year indicators are as follows:

	Prior Year	Current Year	Year +1	Year +2	Year +3
Capital Financing Requirement	11,610,089	12,355,442	13,573,622	13,591,981	13,691,040
Net Borrowing	9,390,303	10,076,350	13,049,933	13,082,603	13,185,496
Under Limit by	2,219,786	2,279,092	523,689	509,379	505,545

4. Treasury and External Debt Indicators

4.1. Authorised Limit for External Debt

The authorised limit for external debt is required to separately identify external borrowing (gross of investments) and other long term liabilities. The limit provides a maximum figure that the Council could borrow at any given point during a financial year.

Prior Year	Current Year	Year +1	Year +2	Year +3
9,890,303	10,576,350	13,549,933	13,582,603	13,685,496

The authorised limits are consistent with approved capital investment plans and the Council's Treasury Management Policy and Practice documents, but allow sufficient headroom for unanticipated cash movements.

The limit will be reviewed on an on-going basis during the year. If the authorised limit is liable to be breached at any time, the Director of Central & Leisure Services will either take measures to ensure the limit is not breached, or report to the Council to raise the authorised limit.

4.2. Operational Boundary for External Debt

This is a key management tool for in-year monitoring and is lower than the Authorised Limit as it is based on an estimate of the most likely level of external borrowing at any point in the year. In comparison, the authorised limit is the maximum allowable level of borrowing

Prior Year	Current Year	Year +1	Year +2	Year +3
9,390,303	10,076,350	13,049,933	13,082,603	13,185,496

4.3. Actual External Debt

This is a factual indicator showing the Council's actual external debt for the previous financial year. The actual external debt reported in the financial statements for the year ended 31 March 2011 was £9.4m.
Loans drawn down during 2011/12 to end of January amount to £656,000.

5. Treasury Management Indicators

5.1. Has the Council adopted the CIPFA Code of Practice on Treasury Management

The application of this code only comes into effect for the Council on 1 April 2012. By this date, the Council will have fully complied with the Code.

5.2. Gross and Net Debt

The Council does not have a policy or practice of borrowing in advance of need. Therefore its gross debt, less investments is expected to be in line with its operational boundary as noted above.

This setting of an indicator for the proportion of net debt compared to gross debt is to highlight where an authority may be borrowing in advance of need.

5.3. Interest Rate Exposures

The limits being proposed here are important in setting ranges within which the authority will manage its exposures to changes in fixed or variable rates of interest.

	Prior Year	Current Year	Year +1	Year +2	Year +3
Limits on fixed interest rates based on net debt	100%	100%	100%	100%	100%
limits on variable interest rates based on net debt	5%	5%	5%	5%	5%

An upper limit on fixed interest rate exposure – This indicator identifies the maximum limit on fixed interest rates.

Upper limits on variable rate exposure – Similar to the previous indicator this covers a maximum limit for variable interest rates based upon the debt position net of investments.

5.4. Maturity Structure of Fixed Rate Borrowing

Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due to refinancing within the same financial year, and are required for upper and lower limits.

	Current Year		Year +1	
	Upper	Lower	Upper	Lower
Under 12 Months	20%	0%	20%	0%
12 Months to 2 Years	50%	0%	50%	0%
2 Years to 5 Years	50%	5%	50%	5%
5 Years to 10 Years	75%	25%	75%	25%
10 Years and Above	100%	30%	100%	35%

5.5. Total Principal sums invested for periods longer than 364 days

The purpose of this indicator is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of sums invested.

	Prior Year	Current Year	Year +1	Year +2	Year +3
Principal sums invested > 364 days £	0	0	0	0	0

The Council would not, through its normal course of investment activities, expect to make investments beyond 12 months. However, there may be circumstances which may result in investments being made for a period longer than 364 days.