

Bolsover District Council

Council

8th November 2017

Treasury Management

Report of the Assistant Director - Finance, Revenues and Benefits

This report is public

Purpose of the Report

- To update Council on the Treasury Management activities for the half year period April 2017 to September 2017.
- For Council to approve undertaking HRA borrowing of up to £973,000 to fund the purchase of 13 properties from Keepmoat on the Mooracre Lane Development at Bolsover.
- For Council to approve undertaking HRA borrowing of up to £987,265 to fund additional developments for the B@Home Programme.
- For Council to approve a Loan of up to £300,000 on commercial terms to Shirebrook Town Council for the Town Centre Development.

1 Report Details

Treasury Management update

- 1.1 The Council approved the 2017/18 Treasury Management Strategy at its meeting in February 2017. This report details the treasury management activity during the first half of the year. Reporting the position is in line with recommended best practice as outlined in the CIPFA Treasury Management Code of Practice.
- 1.2 The treasury management function covers the borrowing and investment of the Council's 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 **Appendix 1** of this report, details the treasury management activities that have taken place between April and September 2017, which are in line with the Council's approved strategy.

Markets in Financial Instruments Directive

- 1.4 On the 3rd January 2018, the new Markets in Financial Instruments Directive (MiFID II) comes into force. This covers a wide range of issues including changes to the customer protection framework. The significant change for local Authorities is to their client categorisation status from the default of “Professional” status, to the default of “Retail” status.
- 1.5 These changes impact on the assets and instruments that can be offered and the level of investor protection that is afforded. Essentially, this means that there are less places to invest monies and also potentially lower rates of interest available if you are classed as “retail”. In recognition that the change could be material for Local Authorities, the FCA policy statement (PS17/14) allows Authorities to request to opt up to “Elective Professional Status”, which will mean they can keep the current investments, whilst giving up the additional investor protection afforded by Retail status
- 1.6 To enable an Authority to opt up to professional status they must meet certain criteria about investment levels and professional qualifications of the staff involved in Treasury Management. It is the intention for the Council to opt up to Professional Status. The Council is able to opt up as it has the required level of balances and appropriately qualified employees.

HRA Borrowing

- 1.7 A report was taken to Executive on the 11th September 2017 which approved the purchase of 13 properties for social rent in Bolsover, subject to Council approving the necessary borrowing.
- 1.8 It is proposed that the purchase of these properties be funded by a combination of prudential borrowing and 1-4-1 Capital Receipts; £973,000 and £417,000 retrospectively.
- 1.9 A separate report elsewhere on this Council Agenda contains an update on the B@Home programme and also details of further developments, which subject to Council approval will be financed by HRA borrowing of up to £987,265.
- 1.10 Whilst local authorities are free to develop their own programmes of investment in fixed assets, they are required to have regard to the Prudential Code (which constitutes recognised good practice), in making these decisions. The CIPFA code requires that capital investment decisions are affordable, prudent and sustainable. Central to the Prudential Code is the requirement for the authority to satisfy itself that it can afford the ongoing revenue costs associated with its capital expenditure proposals.
- 1.11 Each phase of the new build programme is checked for financial viability on a standalone basis and also in the context of the HRA Business plan. Borrowing also needs to be considered within the wider context of the affordability of the Councils HRA as a whole. HRA borrowing is subject to a financial ceiling and it is important that the prudential borrowing required to fund new houses does not undermine the Council’s ability to afford major renovations that are necessary to the existing

housing stock. The Government has set the maximum borrowing limit or HRA borrowing ceiling for Bolsover District Council at a level of £112,350m.

- 1.12 On the basis that the HRA prudential borrowing recommended within this report is approved then the total level of HRA borrowing will be as follows:

	2017/18	2018/19	2019/20
	£000's	£000's	£000's
HRA Borrowing Ceiling	112,350	112,350	112,350
Currently Approved HRA Borrowing Level	92,096	97,925	96,153
Purchase of Keepmoat Homes	973	973	973
Additional B@Home Developments	987	987	987
Total projected Borrowing Level	94,056	99,885	98,113

	2017/18	2018/19	2019/20
	£000's	£000's	£000's
Capital Financing Requirement 31 st March 2018 (Previously Approved)	104,483	109,999	107,493
Prudential Borrowing arising from Keepmoat Homes	973	973	973
Prudential Borrowing arising from Additional B@Home Developments	987	987	987
Capital Financing Requirements 31 st March 2018	106,443	111,959	109,453
Operational Boundary as at 31 st March 2018	111,443	116,959	114,453
Authorised Limit as at 31 st March 2018	116,443	121,959	119,453

Note – The £973,000 and £987,265 are one off costs but needs including in each year as they are not repaid within the three years shown

Shirebrook Town Council Loan

- 1.13 The Council has been approached by Shirebrook Town Council with reference to providing a loan to the Town Council for the purpose of the Town Centre Development, part of which the Council will use as a Contact Centre.
- 1.14 In order for the Council to both support growth in the area and to make a financial return it is recommended that consideration be given to granting the loan on a commercial basis.
- 1.15 The amount of the loan will be up to a maximum of £350,000 over a fixed period to be agreed by both parties which can be met from the Council's existing balances. The interest rate would be charged at the Council's own internal interest rate which is subject to fluctuation on an annual basis. The current rate is 3.53%
- 1.16 The estimated rate of return for the Council over a 5 year period is £33,967, 10 years £64,906 or 25 years £157,802
- 1.17 The loan would be subject to a formal loan agreement which would be drawn up by Legal Services.

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 The purchase of the 13 properties at Mooracre Lane Bolsover offer value for money, meet local housing need and increase the councils housing stock. Therefore the council should proceed with the purchase.
- 2.3 To assist in delivering the Council's corporate target of building a minimum of 100 new Council properties by March 2019, it is recommended that Council approve the additional borrowing to fund 6 additional units.
- 2.4 The loan to Shirebrook Town Council will enable them to contribute to the regeneration of the Town Centre, and provide an investment opportunity for the Council.

3 Consultation and Equality Impact

- 3.1 There are no equalities issues arising directly out of this report.

4 Alternative Options and Reasons for Rejection

- 4.1 It is considered good practice by the CIPFA Treasury Management Code of Practice that the Council receive a half year monitoring report and also that all prudential borrowing is approved by Council therefore there are no alternative options.

5 Implications

5.1 Finance and Risk Implications

- 5.1.1 Financial implications are covered throughout this report.

5.2 Legal Implications including Data Protection

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.

5.3 Human Resources Implications

There are no human resource issues arising directly out of this report

6 Recommendations

- 6.1 That Council notes the treasury management activities undertaken during the period April to September 2017 as outlined in Appendix 1
- 6.2 That Council approve prudential borrowing of £973,000 for the purchase of 13 properties at Mooracre Lane Bolsover

- 6.3 The Council approve prudential borrowing of £987,265 to build 6 additional units as part of the B@Home Programme.
- 6.4 That Council approve a loan to Shirebrook Town Council of up to £350,000 at the Council's internal rate of interest and delegate authority to the Chief Executive to approve the final loan agreement.

7 Decision Information

<p>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: Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i></p>	No
<p>Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)</p>	No
<p>District Wards Affected</p>	All
<p>Links to Corporate Plan priorities or Policy Framework</p>	Providing Excellent customer focussed services. Continually improving our organisation

8 Document Information

Appendix No	Title
1	Treasury Management Update
<p>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)</p>	
Report Author	Contact Number
Assistant Director – Finance, Revenues and Benefits Principal Accountant	7658 2459