Leeds CITY COUNCIL

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Deputy Chief Executive

Report to Executive Board

Date: 14th February 2014

Subject: TREASURY MANAGEMENT STRATEGY 2014/15

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	☐ Yes	√ No
Are there implications for equality and diversity and cohesion and integration?	☐ Yes	√ No
Is the decision eligible for Call-In? Except recommendation 6.2 to 6.4	√ Yes	☐ No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	☐ Yes	√ No

Summary of main issues

1. This report sets out for Members' approval the Treasury Management Strategy for 2014/15, and also provides an update on the implementation of the 2013/14 strategy.
2. The Council's level of net external debt is anticipated to be £1,490m by 31/03/14, £52m below expectations in November 2013. This is as a result of capital schemes now progressing in later years and higher than anticipated revenue balances. These factors coupled with lower borrowing costs have resulted in forecast debt savings of £1.7m in 2013/14, after finalising the minimum revenue provision (MRP) or statutory debt repayment requirement.
3. The 2014/15 strategy continues to fund the borrowing requirement from short term low interest rates, balances and reserves and has enabled a £400k reduction in debt interest costs. However, this has been set against an increase in MRP of £2.8m.
4. The Authorised Limit of £2.6bn has been rolled forward in 2016/17. The operational boundary of £2.425bn has also been rolled forward in 2016/17.

Recommendations

That the Executive Board:

5. Approve the treasury strategy for 2014/15 as set out in Section 3.3 and note the review of the 2013/14 strategy and operations set out in Sections 3.1 and 3.2.

That Executive Board recommend to full Council that:

6. The borrowing limits for 2013/14, 2014/15, 2015/16 and 2016/17 be set as detailed in Section 3.4.
7. The treasury management indicators for 2013/14, 2014/15, 2015/16 and 2016/17 be set as detailed in Section 3.5.
8. The investment limits for 2013/14, 2014/15, 2015/16 and 2016/17 be set as detailed in Section 3.6.

1 Purpose of this report

1.1 This report sets out for approval by Members the Treasury Management Strategy for 2014/15 and the revised affordable borrowing limits under the prudential framework. It also provides Members with a review of strategy and operations in 2013/14.

2 Background information

2.1 The operation of the Treasury Management function is governed by provisions set out under part 1 of the Local Government Act 2003 whereby the Council is required to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities (amended 2009 and 2011), in particular:

- The Prudential Code requires that full Council set certain limits on the level and type of borrowing before the start of the financial year together with a number of Prudential Indicators.
- Any in year revision of these limits must be set by Council.
- Policy statements are prepared for approval by the Council at least two times a year.

3 Main Issues

3.1 Review of Strategy and Borrowing Limits 2013/14

3.1.1 The current debt forecasts are given in Table 1 below, which shows that net external borrowing is now expected to be £1,490m by the end of 2013/14. This is £52m less than expected in November. The lower borrowing requirement is due to a combination of schemes that will now progress in the following year and higher than anticipated revenue balances. A capital programme update is included as a separate agenda item.

Table 1

ANALYSIS OF BORROWING 2013/14		2013/14 Feb 13 Report £m	2013/14 Nov 13 Report £m	2013/14 This Report £m
Net Borrowing at 1 April		1,481	1,446	**1,446**
New Borrowing for the Capital Programme – General Fund		106	110	**79**
New Borrowing for the Capital Programme – HRA		0	0	**0**
Debt redemption costs charged to Revenue (Incl HRA)		(37)	(45)	**(45)**
Reduced/(Increased) level of Revenue Balances		(10)	31	**10**
Net Borrowing at 31 March*		1,540	1,542	1,490
Capital Financing Requirement				**1,773**
* Comprised as follows				
Long term borrowing	Fixed	1,323	1,277	1,307
	Variable (less than 1 Year)	130	65	40
	New Borrowing	66	96	44
Short term Borrowing		28	127	123
Total External Borrowing		1,547	1,565	1,514
Less Investments		7	23	24
Net External Borrowing		**1,540**	**1,542**	**1,490**
% gross borrowing exposed to interest rate risk		14%	18%	14%

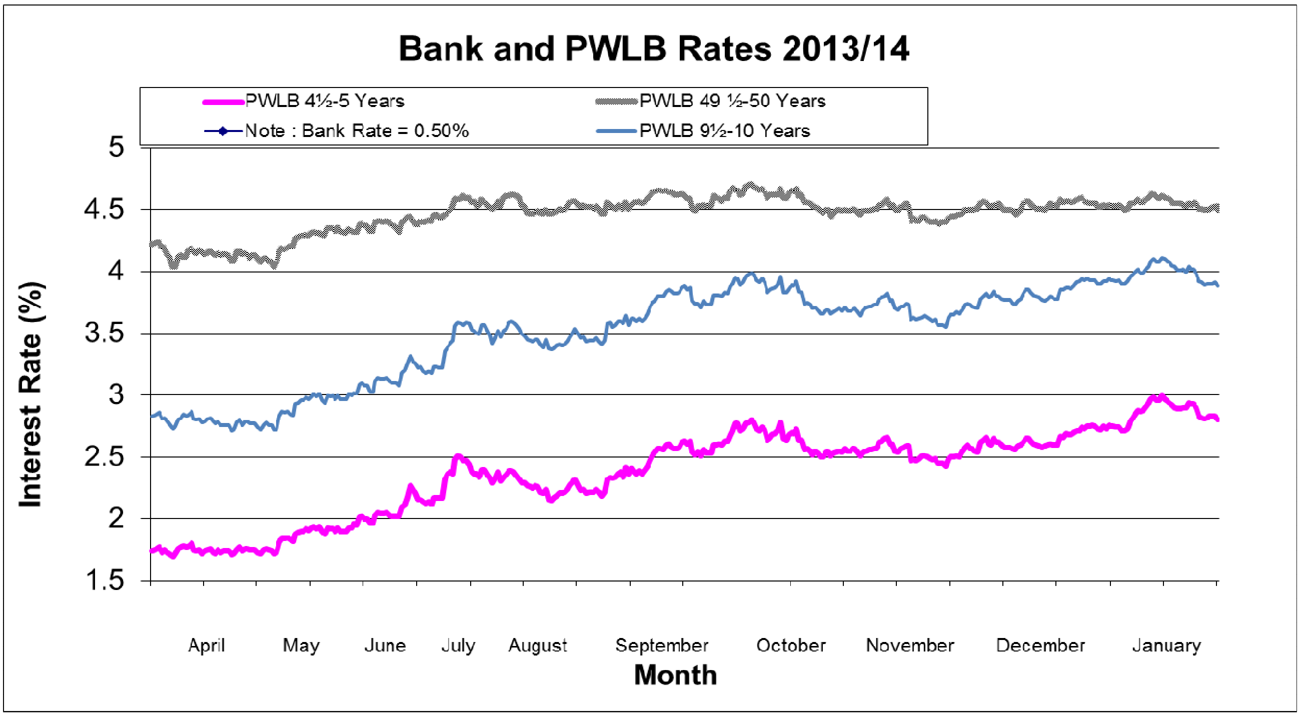
Note: The Capital Financing Requirement (CFR) is the maximum level of debt (i.e. borrowing and finance leasing) that the Council can hold for its current year capital purposes. The Council is also allowed to borrow in advance for up to two future years capital programmes.

3.1.2 The UK economy has continued to grow by 0.8% in the last quarter and this is likely to continue into the fourth quarter albeit after a period of considerable weakness. Inflation (CPI) has fallen to 2.0% in December and is likely to remain subdued.

3.1.3 As for the Eurozone, concerns have subsided considerably in 2013. However, sovereign debt difficulties have not gone away and major concerns could return in respect of any countries that do not address fundamental issues of low growth, international competitiveness and the need for overdue reforms of the economy (as Ireland has done).

3.1.4 Tentative signs of growth in America has led to the American Federal Reserve Bank reducing its level of bond buying by $10bn per month in January 2014 and a further $10bn in February to $65bn per month. As a result shorter dated gilts and PWLB have continued to rise at a quicker rate than longer dated debt, as shown in the chart below.

Chart 1



3.1.5 The Council's treasury advisors' latest forecasts for Quarter 1, 2014 are that PWLB rates for 25 to 50 year borrowing will be around 4.40%, 10 year borrowing around 3.60% and 5 Year at 2.50%. As the economy starts its recovery process, yields will continue to rise but along an uneven path.

3.1.6 The 2013/14 borrowing strategy continues to fund the capital programme borrowing requirement from short dated loans and internal cash balances. The ability to take longer term funding is discussed in the strategy for 2014/15. Table 2 shows £55m of new loans were acquired. The strategy is projected to generate savings of £1.7m after finalising the minimum revenue provision or statutory debt repayment requirement.

Table 2

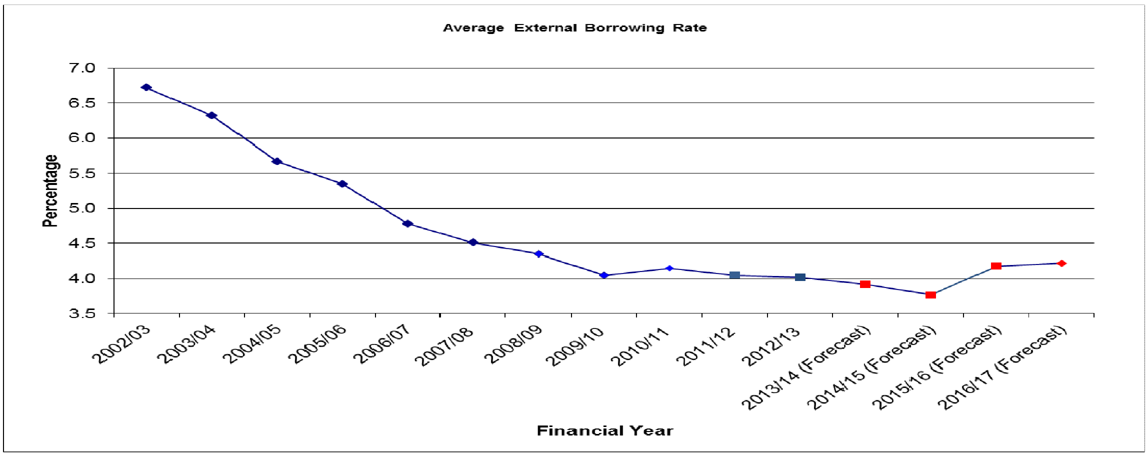
Loan repayments and borrowing 2013/2014							
Loan Repayments				**New Borrowing**			
Date	**Amount (£m)**	**Original Rate (%)**	**Discount Rate**	**Date**	**Amount (£m)**	**Term (Years)**	**Interest Rate (%)**
PWLB Loans				PWLB			
07/05/2013	13	3.59	Maturity	10/04/2013	10	15	3.18
				10/04/2013	10	50	3.85
				02/10/2013	15	9½	3.38
Sub Total	**13**				**35**		
Non PWLB Loans (Call date)				Non PWLB Loans			
05/07/2013	10	1.45	Maturity	26/07/2013	5	3	0.98
				16/10/2013	10	5	1.35
				06/12/2013	5	5	2.20
Sub Total	**10**				**20**		
Total	**23**			**Total**	**55**		

3.1.7 The long term funding requirement is projected to be £426m at 31/3/14. This is the difference between the Councils financing requirement (CFR) of £1.773bn and long term borrowing of £1.347bn. Whilst expenditure on some capital schemes has yet to occur the remaining long term funding requirement is financed by low-rate short term borrowing of £123m and the Council's balance sheet strength. The levels of capital programme slippage, cash reserves, economic conditions and short term interest rates will continue to be monitored before additional monies are borrowed. Given that short term rates continue at historical lows the Council will continue to fund the remaining borrowing requirement, if required, at short term rates.

3.2 Interest Rate Performance

3.2.1 The average rate of interest paid on the Council's external debt for 2012/13 was 4.02% as reported in the Annual Treasury Management Report 2012/13 to Executive Board on 17th July 2013. This rate is forecast to fall below 4% for 2013/14. Chart 2 shows how the average, external borrowing rate has fallen from 6.72% in 2002/03. The expectation is that the Councils average cost of borrowing will begin to rise as the cost of borrowing increases and short term funding is switched to more expensive longer term funding rates.

Chart 2



3.3 Strategy for 2014/15

3.3.1 Table 3 shows that net borrowing is expected to rise by £43m to £1,533m during the course of 2014/15. The Capital Programme report is presented elsewhere on this agenda.

Table 3

ANALYSIS OF BORROWING 2013/14 – 2016/17		2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
Net Borrowing at 1 April		1,446	1,490	1,533	1,575
New Borrowing for the Capital Programme – GF		79	119	104	93
New Borrowing for the Capital Programme - HRA		0	0	0	6
Debt redemption costs charged to Revenue(GF)		(45)	(48)	(48)	(50)
Reduced/(Increased) level of Revenue Balances		10	(28)	(14)	(15)
Net Borrowing at 31 March		1,490	1,533	1,575	1,609
* Comprised as follows					
Long term borrowing	Existing Fixed	1,307	1,247	1,238	1,244
	Existing Variable (Less than 1yr)	40	110	110	80
	New Borrowing	44	43	42	34
Short term Borrowing		123	157	209	275
Total External Borrowing		1,514	1,557	1,599	1,633
Less Investments		24	24	24	24
Net External Borrowing		1,490	1,533	1,575	1,609
% gross borrowing exposed to interest rate risk		14%	20%	23%	24%

Note: Borrowing exposed to interest rate risk in any one year is made up of short term borrowing, new long term borrowing and existing variable loans (i.e. LOBOs with an option falling within the year).

3.3.2 The economic recovery in the UK since 2008 has not yet returned the economy to pre-recession levels. However, growth has rebounded during 2013, propelled by a recovery in consumer spending and the housing market. Forward surveys are also very positive on growth prospects for 2014. Whilst encouraging, the economy needs to rebalance away from consumer spending to construction, manufacturing, business investment and exporting in order to maintain a firm recovery. One drag on the economy is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure.

3.3.3 The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- It is possible over the next few years that levels of government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2014/15 and beyond;
- Borrowing interest rates have risen significantly during 2013 and are on a rising trend; and
- If longer term borrowing is acquired before it is needed the result could be an increase in investments resulting in a revenue loss between borrowing costs and investment returns.

3.3.4 The projections for the first increase in the bank rate have moved from March 2015, as forecast in last year's strategy report to June 2016 as shown in Table 4. Whilst the 0.5% projection for the bank rate has moved further into the future the forecast rates beyond 1 year have risen significantly for borrowing up to 15 years.

Table 4

	Bank Rate	**PWLB Borrowing Rates (including certainty rate adjustment)**			
		5 year	**10 Year**	**25 year**	**50 year**
now	0.50	2.60	3.68	4.33	4.30
March 2014	0.50	2.50	3.60	4.40	4.50
June 2014	0.50	2.60	3.70	4.50	4.50
Sept 2014	0.50	2.70	3.80	4.50	4.60
Dec 2014	0.50	2.70	3.80	4.60	4.70
March 2015	0.50	2.80	3.90	4.60	4.80
June 2015	0.50	2.80	3.90	4.70	4.90
Sept 2015	0.50	2.90	4.00	4.80	4.90
Dec 2015	0.50	3.00	4.10	4.90	5.00
March 2016	0.50	3.10	4.20	5.00	5.10
June 2016	0.75	3.20	4.30	5.10	5.20
Sept 2016	1.00	3.30	4.30	5.10	5.20
Dec 2016	1.00	3.40	4.40	5.10	5.20
March 2017	1.25	3.40	4.50	5.10	5.20

Source Council's Treasury Advisors

3.3.5 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt, but is being supported by reserves, balances and cash flow as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high. This strategy is expected to continue into 2014/15 as the outlook for the bank rate remains anchored at 0.5%.

3.3.6 The 2013/14 budget included a provision to take advantage of market opportunities and acquire longer term funding as detailed in 3.1.6 above. As the cost of longer term debt has continued to increase, a comparison of acquiring longer term funds against defraying all longer term borrowing until 2015/16 has been made. This exercise concluded that defraying all longer term borrowing until 2015/16 is achievable. For example, the Council could acquire a 5 year loan from the PWLB at a rate of 2.60% today or alternatively it could borrow at short term rates of 0.5% then fund it in April 2015 at a forecast rate of 2.80%. The 5 year borrowing rate forecast for April 2015 would need to be lower than 3.53% for the Council to have benefitted. Similarly for 10 year borrowing, rates would have to be less than 4.63% and the forecast is that they will be 3.90%.

3.3.7 The strategy of defraying long term borrowing will increase the amount of debt that the Council is funding from short term loans and its balance sheet to a forecast £513m. This exposure is considered manageable given historical capital programme slippage, the continued strength of the Council's balance sheet and the market for supplying short term funds remaining strong. These factors will continue to be monitored and should be considered in the context of the stability of the current debt maturity profile.

3.3.8 The Council's current long term debt of £1.347bn has an average maturity of nearly 36 years if all its debt runs to maturity. Approximately 30% of the Councils debt has options for repayment, in the unlikely event that all these options were exercised at the next option date then the average maturity would be lowered to 20 years. This compares favourably with the average maturity of the UK debt portfolio of just less than 15 years. The existing profile of the Council's debt provides considerable certainty of funding costs. Prudential indicator 16 in Appendix A shows the maturity profile of the Council's long term fixed debt and highlights that 55% or £687m matures in periods greater than 10 years.

3.3.9 The forecast path of longer term rates is clearly dependent upon how the economy performs both here and abroad. If it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in the anticipated rate of US tapering of asset purchases, world economic activity or inflation risks, then the strategy will be re-appraised with the likely outcome that longer term funding will be acquired. At that point the prospect of a higher debt cost would be viewed against whether:

- the forecast capital borrowing requirement had reduced or slipped into the following years,
- the levels of reserves/ balances were forecast to increase or reduce.
- whether the council had received up front funding for capital schemes.

3.3.10 The debt budget interest costs have been reduced in 2014/15 budget by £400k. However, this reduction has been offset by an increase in the MRP or statutory debt repayment of £2.8m. This results in the overall debt budget being £73.480m for 2014/15.

3.3.11 Forecasts for the debt budget beyond 2014/15 are dependent upon the interest rate assumptions, the likely level of capital spend and the Councils cash balances. The debt budget is currently forecast to increase by £9.5m in 2015/16. This forecast increase comprises £2m MRP and £7.5m of interest costs that are based on an average borrowing cost of 3.5% as shown in Table 5. However, if the borrowing requirement continued to be funded at 0.5%, then the increase in interest costs would be £0.5m, giving a revised total increase in the debt budget of £2.5m. Given the range in forecasts, the interest rate assumptions and the borrowing requirement arising from the capital programme will be kept under review throughout 2014/15, before establishing the 2015/16 debt budget.

Table 5

	Average Interest Rate
2014/15	0.5%
2015/16	3.5%
2016/17	3.6%

3.3.12 These assumptions on borrowing rates have associated risks. For example in 2014/15, if the cost of borrowing was 0.25% higher than assumed, full year debt costs would increase by £461k.

3.4 Borrowing Limits for 2013/14, 2014/15, 2015/16 and 2016/17

3.4.1 The authorised limit represents the legislative limit on the Council's external debt under the Local Government Act 2003. It should be set with sufficient headroom above the operational boundary to allow flexibility for planned borrowing to be undertaken, in order for prudent treasury management decisions to be taken and temporary cash flow fluctuations to be managed. The operational boundary should reflect the maximum anticipated level of external debt consistent with budgets and cash flow forecasts. It should be seen as a management tool for on-going monitoring of external debt, and may be breached temporarily due to unusual cash flow movements. Appendix B shows that the Council has kept within the operational boundary and authorised limit in 2013/14.

3.4.2 The Deputy Chief Executive has delegated responsibility to make adjustments between the two separate limits for borrowing and other long term liabilities, provided that the overall limit remains unchanged. Any such adjustments will be reported to the next available Council meeting following the change. It is recommended that Council approve the following authorised limits for its gross external debt for the next three years.

3.4.3 It is proposed to maintain the authorised limit for 2016/17 at the 2015/16 level.

Recommended: Authorised Limits as follows (no change)

Authorised Limit	**2013/14 £m**	**2014/15 £m**	**2015/16 £m**	**2016/17 £m**
Borrowing	1,900	1,900	1,900	1,900
Other Long Term Liabilities	650	700	700	700
Total	**2,550**	**2,600**	**2,600**	**2,600**

3.4.4 It is proposed to maintain the Operational boundary for borrowing in 2016/17 at the 2015/16 level.

Recommended: Operational Boundaries as follows (no change)

Operational Boundary	**2013/14 £m**	**2014/15 £m**	**2015/16 £m**	**2016/17 £m**
Borrowing	1,760	1,760	1,760	1,760
Other Long Term Liabilities	610	665	665	665
Total	**2,370**	**2,425**	**2,425**	**2,425**

3.5 Treasury Management Indicators

3.5.1 Appendix A highlights the borrowing limits and other prudential indicators

3.5.2 The first prudential indicator in respect of treasury management is that the Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. This was adopted by the Council at the Executive Board meeting on the 13th March 2003.

3.5.3 The Council is required to set an upper limit on its fixed interest rate exposures that represents the maximum proportion of its net borrowing (i.e. measured as a percentage of its total borrowing less investments) which the Council will have at any given time during the period at fixed interest rates. The purpose of the limit is to ensure that the Council has the flexibility to take advantage of falling interest rates by ensuring a minimum level of variable rate debt. However setting a limit less than 100% can restrict the Council's ability to borrow in advance of need when long term fixed interest rates are at their low point. (This is the case since in general amounts borrowed in advance are invested, meaning that the net borrowing figure on which the limit is based will be lower than the total fixed borrowing outstanding.) Therefore to provide the Council with maximum flexibility it is recommended that the limit of 115% remains unchanged and is rolled forward into 2016/17.

Recommended: **Upper limit on fixed interest rate exposures for 2014/15, 2015/16 and 2016/17 of 115% (no change)**

3.5.4 The Council is required to set an upper limit on its variable interest rate exposures that represents the maximum proportion of debt the Council will have at any given time during the period at variable interest rates and exposed to interest rate rises. In evaluating this figure, LOBOs are treated as being variable in the year in which an option occurs and fixed in other years. The limit should be set in order to maintain a balance between managing the risk of rate rises and allowing sufficient flexibility to take advantage of any fall in rates. It is therefore recommended that the limit of 40% of debt remains unchanged and is rolled forward into 2016/17.

Recommended: **Upper limit on variable interest rate exposures for 2014/15, 2015/16 and 2016/17 of 40% (no change)**

3.5.5 The Council is required to set upper and lower limits for the maturity structure of its borrowings. This is designed to limit the risk of exposure to high interest rates by restricting the level of maturing debt in any given year. The limits represent the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. It is proposed that these limits remain unchanged.

<table>
<tr><th>Maturity structure of fixed rate borrowing</th><th>Lower Limit</th><th>Upper Limit</th></tr>
<tr><td>under 12 months</td><td>0%</td><td>15%</td></tr>
<tr><td>12 months and within 24 months</td><td>0%</td><td>20%</td></tr>
<tr><td>24 months and within 5 years</td><td>0%</td><td>35%</td></tr>
<tr><td>5 years and within 10 years</td><td>0%</td><td>40%</td></tr>
<tr><td>10 years and within 20 years</td><td rowspan="5">25%</td><td rowspan="5">90%</td></tr>
<tr><td>20 years and within 30 years</td></tr>
<tr><td>30 years and within 40 years</td></tr>
<tr><td>40 years and within 50 years</td></tr>
<tr><td>50 years and above</td></tr>
</table>

Recommended: **Upper and Lower limits on fixed rate maturity structure remains unchanged as above.**

3.6 Investment Strategy and Limits

3.6.1 The Council's actual external borrowing need is reduced by the availability of revenue balances. The Treasury policy allows for the external investment of these balances at advantageous rates but with due regard for security of capital invested. Investment of surplus balances in general will be limited to cash flow and liquidity management although the interest rate outlook will be kept under review to identify any opportunities for longer term investment.

3.6.2 The approved lending list is based upon the assessment of the financial standing of counterparties as determined by international credit rating agencies and further refined and updated by the Council's advisors on a continual basis. The lending list is often further restricted based upon the Council's own view of the credit worthiness of counter-parties.

3.6.3 The investment strategy only allows for the Council to invest in the most highly rated financial institutions around the world. The Council will only lend up to a maximum of

£15m to financial institutions that are rated as excellent. There is also a limit of £5m for financial institutions that are rated as very good.

3.6.4 The Prudential code requires that Councils set limits on investments for periods longer than 364 days. It is proposed to maintain the limits as outlined below and roll the limit forward into 2016/17.

Recommended: Upper limit on sums invested for periods longer than 364 days (no change):

Total principal sum invested for a period longer than 364 days	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
Upper limit	150	150	150	150

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 This report sets the treasury management strategy and as such there is no need to consult the public. In establishing this strategy, consultation with the Council's treasury advisors has taken place.

4.1.2 The borrowing requirement is an outcome of the capital programme which has been the subject of consultation and engagement as outlined in the capital programme report elsewhere on this agenda.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 Equality, diversity, cohesion and integration requirements are addressed as part of individual capital scheme and programme approvals. The borrowing to deliver these capital schemes is executed through treasury strategy and as such there are no further equality diversity cohesion and integration issues. An equality screening document is attached at Appendix C.

4.3 Council Policies and City Priorities

4.3.1 Treasury Management strategy secures funding to support the Council's Policies and City Priorities as set out in the Council capital programme and is consistent with the Council's business plan.

4.4 Resources and Value for Money

4.4.1 This treasury strategy recognises the borrowing necessary to fund the capital programme requirements of both General Fund and HRA. The revenue costs of borrowing are included within the revenue budgets of the general fund and HRA.

4.4.2 The updated strategy 2013/14 is forecast to deliver savings of £1.7m against the budgeted position.

4.5 Legal Implications, Access to Information and Call In

4.5.1 In accordance with the Council's Budget and Policy Framework, decisions on borrowing limits, treasury management indicators, investment limits and the Treasury Management Policy Statement are approved by Council. As such, recommendations 6.2 to 6.4 are not subject to call in.

4.6 Risk Management

4.6.1 This report sets out the framework for the treasury strategy for the year ahead. The execution of strategy and associated risks are kept under regular review through:

- Monthly reports to the Finance Performance Group
- Quarterly strategy meetings with the Deputy Chief Executive and the Council's treasury advisors
- Regular market, economic and financial instrument updates and access to real time market information

5 Conclusions

5.1 The Council's level of external debt at 31st March 2014 is anticipated to be £1,490m, £52m lower than expected in November 2013, rising to £1,533m in 2014/15 and to £1,575m by 2015/16.

5.2 The interest cost of debt is budgeted to reduce by £400k in 2014/15 by the use of shorter term borrowing and balances and reserves in lieu of more expensive longer term funding at higher rates. This is offset by an increase in MRP of £2.8m.

5.3 The uncertainty and risks around economic forecasts will result in further caution being adopted in the management of debt and investments and the opportunity to secure longer term debt at the appropriate time will be kept under review.

6 Recommendations

That the Executive Board:

6.1 Approve the initial treasury strategy for 2014/15 as set out in Section 3.3 and note the review of the 2013/14 strategy and operations set out in Sections 3.1 and 3.2.

That Executive Board recommend to full Council that:

6.2 The borrowing limits for 2013/14, 2014/15, 2015/16 and 2016/17 be set as detailed in Section 3.4.

6.3 The treasury management indicators for 2013/14, 2014/15, 2015/16 and 2016/17 be set as detailed in Section 3.5.

6.4 The investment limits for 2013/14, 2014/15, 2015/16 and 2016/17 be set as detailed in Section 3.6.

7 Background documents [1]

None

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[1] The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

Appendix A

Leeds City Council - Prudential Indicators 2013/14- 2016/17

No.	PRUDENTIAL INDICATOR	2013/14	2014/15	2015/16	2016/17
	(1). EXTRACT FROM BUDGET AND RENT SETTING REPORTS				
	Ratio of Financing Costs to Net Revenue Stream				
1	General Fund - Excluding DSG (Note1)	11.95%	13.00%	14.68%	15.37%
2	HRA	13.67%	12.93%	11.97%	12.37%
	Estimates of the Incremental Impact of new capital investment decisions	£ . P	£ . P	£ . P	£ . P
3	increase in council tax B7(band D, per annum) (Note 2)	12.49	45.90	92.16	127.00
4	increase in housing rent per week	0.00	0.00	0.00	0.00
		£'000	**£'000**	**£'000**	**£'000**
5	**Net external borrowing requirement (Net Debt and CFR)**	1,490,000	1,545,000	1,587,000	1,597,000
	The Net Borrowing Requirement should not exceed the capital financing requirement (Note 3)	OK	OK	OK	OK
	Estimate of total capital expenditure	**£'000**	**£'000**	**£'000**	**£'000**
6	General Fund	164,571	251,547	199,987	182,768
7	HRA	65,813	146,215	133,572	90,198
	TOTAL	230,384	397,762	333,559	272,966
	Capital Financing Requirement (as at 31 March)	**£'000**	**£'000**	**£'000**	**£'000**
8	General Fund	1,589,314	1,650,553	1,694,994	1,725,169
9	HRA	693,368	739,560	789,129	780,451
	TOTAL	2,282,682	2,390,113	2,484,123	2,505,620
9a	**Limit of HRA Indebtedness as implemented under self financing**	721,327	721,327	721,327	721,327

No.	PRUDENTIAL INDICATOR	2013/14	2014/15	2015/16	2016/17
	(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	**£'000**	**£'000**	**£'000**	**£'000**
10	**Authorised limit for external debt - (Note 5)**				
	borrowing	1,900,000	1,900,000	1,900,000	1,900,000
	other long term liabilities	650,000	700,000	700,000	700,000
	TOTAL	2,550,000	2,600,000	2,600,000	2,600,000
11	**Operational boundary - (Note 5)**				
	borrowing	1,760,000	1,760,000	1,760,000	1,760,000
	other long term liabilities	610,000	665,000	665,000	665,000
	TOTAL	2,370,000	2,425,000	2,425,000	2,425,000
14	**Upper limit for fixed interest rate exposure**				
	expressed as either:-				
	Net principal re fixed rate borrowing / investments OR:-	115%	115%	115%	115%
	Net interest re fixed rate borrowing / investments				
15	**Upper limit for variable rate exposure**				
	expressed as either:-				
	Net principal re variable rate borrowing / investments OR:-	40%	40%	40%	40%
	Net interest re variable rate borrowing / investments				
		£'000	**£'000**	**£'000**	**£'000**
17	**Upper limit for total principal sums invested for over 364 days (Note 5)**	150,000	150,000	150,000	150,000
	(per maturity date)				
18	**Net Debt as a percentage of Gross debt**	97.41%	98.46%	98.50%	98.52%

<table>
<tr><th>16</th><th>Maturity structure of fixed rate borrowing 2013/14</th><th>Lower Limit</th><th>Upper Limit</th><th>Projected 31/03/2014</th><th></th></tr>
<tr><td></td><td>under 12 months</td><td>0%</td><td>15%</td><td>0%</td><td></td></tr>
<tr><td></td><td>12 months and within 24 months</td><td>0%</td><td>20%</td><td>10%</td><td></td></tr>
<tr><td></td><td>24 months and within 5 years</td><td>0%</td><td>35%</td><td>23%</td><td></td></tr>
<tr><td></td><td>5 years and within 10 years</td><td>0%</td><td>40%</td><td>12%</td><td></td></tr>
<tr><td></td><td>10 years and within 20 years</td><td rowspan="4">25%</td><td rowspan="4">90%</td><td>3%</td><td rowspan="4">55%</td></tr>
<tr><td></td><td>20 years and within 30 years</td><td>0%</td></tr>
<tr><td></td><td>30 years and within 40 years</td><td>18%</td></tr>
<tr><td></td><td>40 years and within 50 years</td><td>34%</td></tr>
<tr><td></td><td></td><td></td><td></td><td>100%</td><td></td></tr>
</table>

Notes.

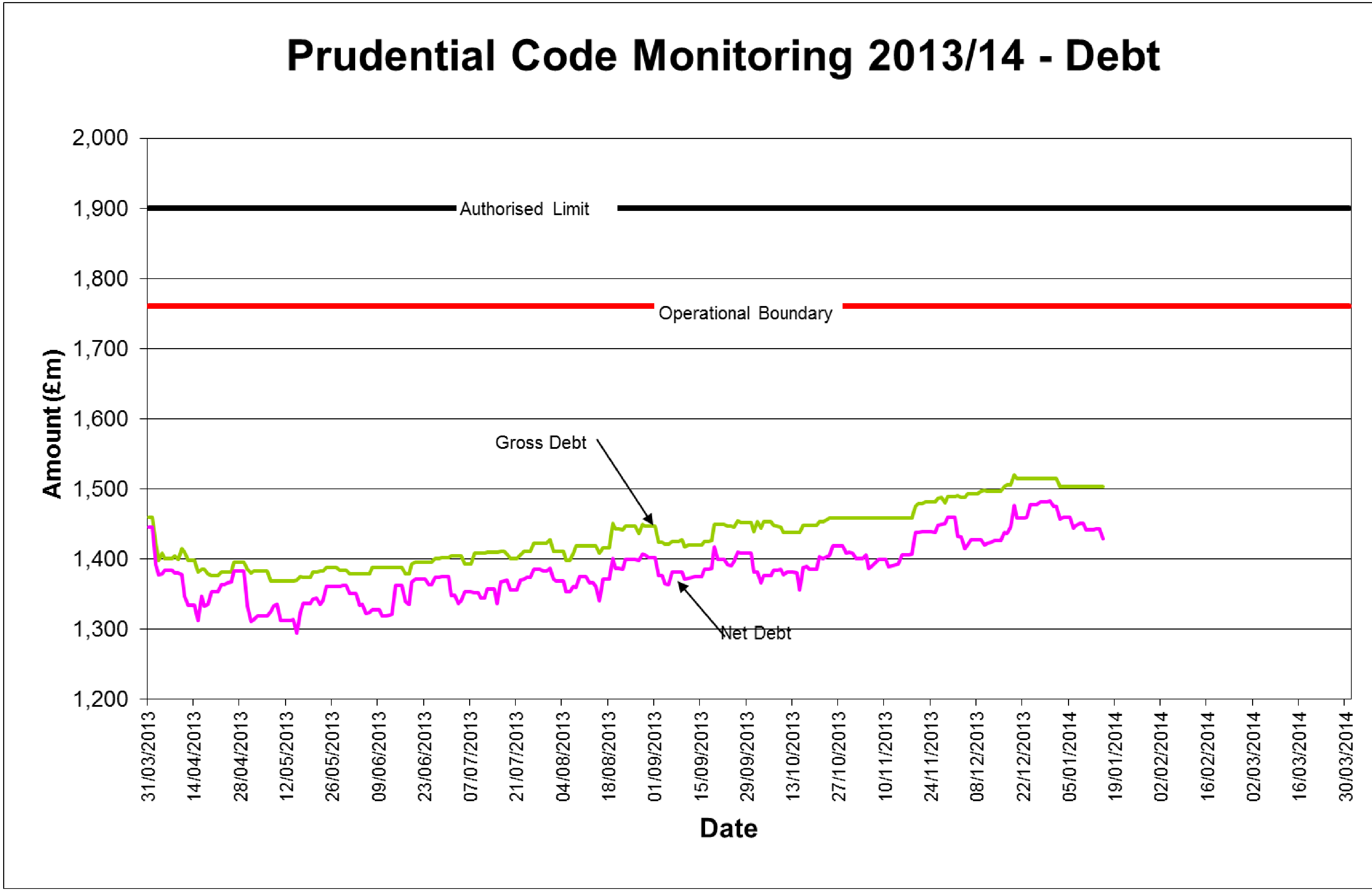
1 **The indicator for the ratio of financing costs to net revenue stream for General Fund is now calculated based on the Net Revenue Charge less the Dedicated Schools Grant (DSG). The Government changed the funding of education to DSG from 2006/07.**

2 **The code requires that the Council identifies the capital financing costs arising from unsupported borrowing expressed as the amount per band D property.**

3 **In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Council should ensure that net external borrowing does not exceed the total capital financing requirement in the preceding year plus estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.**

4 **Prudential indicator 12 relates to actual external debt at 31st March, which will be reported in the Treasury Management Annual Report.**

5 **Prudential indicator 13 relates to the adoption of the CIPFA Code of Practice on Treasury Management. The Council formally adopted this Code of Practice in March 2003, and the revised code in Frebruary 2010 and 2012**


Prudential Code Monitoring 2013/14 - Debt
2,000
1,900
1,800
1,700
1,600
1,500
1,400
1,300
1,200
Amount (£m)
Authorised Limit
Operational Boundary
Gross Debt
Net Debt
31/03/2013
14/04/2013
28/04/2013
12/05/2013
26/05/2013
09/06/2013
23/06/2013
07/07/2013
21/07/2013
04/08/2013
18/08/2013
01/09/2013
15/09/2013
29/09/2013
13/10/2013
27/10/2013
10/11/2013
24/11/2013
08/12/2013
22/12/2013
05/01/2014
19/01/2014
02/02/2014
16/02/2014
02/03/2014
16/03/2014
30/03/2014
Date

Appendix B

Appendix C

Equality, Diversity, Cohesion and Integration Screening

Leeds CITY COUNCIL

As a public authority we need to ensure that all our strategies, policies, service and functions, both current and proposed have given proper consideration to equality, diversity, cohesion and integration.

A **screening** process can help judge relevance and provides a record of both the **process** and **decision.** Screening should be a short, sharp exercise that determines relevance for all new and revised strategies, policies, services and functions. Completed at the earliest opportunity it will help to determine:

- the relevance of proposals and decisions to equality, diversity, cohesion and integration.
- whether or not equality, diversity, cohesion and integration is being/has already been considered, and
- whether or not it is necessary to carry out an impact assessment.

Directorate: Resources	**Service area: Audit and Investment**
Lead person: Bhupinder Chana	**Contact number: 51332**

1. Title: Treasury Management Strategy 2014-15
Is this a: [X] **Strategy / Policy** [ ] **Service / Function** [ ] **Other** **If other, please specify**

2. Please provide a brief description of what you are screening
The report sets out the treasury management strategy for 2014/15. The strategy outlines the approach to managing the Council's borrowing requirements in the light of its capital programme, cash balances and reserves and economic conditions including forecasts of interest rates.

3. Relevance to equality, diversity, cohesion and integration

All the council's strategies/policies, services/functions affect service users, employees or the wider community – city wide or more local. These will also have a greater/lesser relevance to equality, diversity, cohesion and integration.

The following questions will help you to identify how relevant your proposals are.

When considering these questions think about age, carers, disability, gender reassignment, race, religion or belief, sex, sexual orientation. Also those areas that impact on or relate to equality: tackling poverty and improving health and well-being.

Questions	Yes	No
Is there an existing or likely differential impact for the different equality characteristics?		X
Have there been or likely to be any public concerns about the policy or proposal?		X
Could the proposal affect how our services, commissioning or procurement activities are organised, provided, located and by whom?		X
Could the proposal affect our workforce or employment practices?		X
Does the proposal involve or will it have an impact on • Eliminating unlawful discrimination, victimisation and harassment • Advancing equality of opportunity • Fostering good relations		 X X X

If you have answered **no** to the questions above please complete **sections 6 and 7**

If you have answered **yes** to any of the above and;

- Believe you have already considered the impact on equality, diversity, cohesion and integration within your proposal please go to **section 4.**
- Are not already considering the impact on equality, diversity, cohesion and integration within your proposal please go to **section 5.**

4. Considering the impact on equality, diversity, cohesion and integration
If you can demonstrate you have considered how your proposals impact on equality, diversity, cohesion and integration you have carried out an impact assessment. Please provide specific details for all three areas below (use the prompts for guidance).
• **How have you considered equality, diversity, cohesion and integration?** (**think about** the scope of the proposal, who is likely to be affected, equality related information, gaps in information and plans to address, consultation and engagement activities (taken place or planned) with those likely to be affected)
• **Key findings** **(think about** any potential positive and negative impact on different equality characteristics, potential to promote strong and positive relationships between groups, potential to bring groups/communities into increased contact with each other, perception that the proposal could benefit one group at the expense of another)
• **Actions** **(think about** how you will promote positive impact and remove/ reduce negative impact)

5. If you are **not** already considering the impact on equality, diversity, cohesion and integration you **will need to carry out an impact assessment**.	
Date to scope and plan your impact assessment:	
Date to complete your impact assessment	
Lead person for your impact assessment (Include name and job title)	

6. Governance, ownership and approval
Please state here who has approved the actions and outcomes of the screening

Name	**Job title**	**Date**
Bhupinder Chana	Principal Financial Manager Capital & Treasury Management	27th January 2014
Date screening completed		27th January 2014

7. Publishing

Though **all** key decisions are required to give due regard to equality the council **only** publishes those related to **Executive Board**, **Full Council, Key Delegated Decisions** or a **Significant Operational Decision.**

A copy of this equality screening should be attached as an appendix to the decision making report:

- Governance Services will publish those relating to Executive Board and Full Council.
- The appropriate directorate will publish those relating to Delegated Decisions and Significant Operational Decisions.
- A copy of all other equality screenings that are not to be published should be sent to equalityteam@leeds.gov.uk for record.

Complete the appropriate section below with the date the report and attached screening was sent:

For Executive Board or Full Council – sent to **Governance Services**	Date sent: 27th January 2014
For Delegated Decisions or Significant Operational Decisions – sent to appropriate **Directorate**	Date sent:
All other decisions – sent to equalityteam@leeds.gov.uk	Date sent: