

MINIMUM REVENUE PROVISION POLICY STATEMENT

The Council will assess the MRP for 2011/12 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21 (1A) OF The Local Government Act 2003.

Certain expenditure reflected within the debt liability at 31 March 2010 will under delegated powers be subject to MRP under option 3 of the guidance; this relates to the acquisition through finance lease of refuse and recycling vehicles and will be charged over a period which is commensurate with the life of the lease, using the annuity method.

Estimated life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will be divided up in cases where there are two or more major components with substantially different useful economic lives.

TREASURY MANAGEMENT SCHEME OF DELEGATION

1. Full Council

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy.

2. Policy and Resources Committee

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment (where outside the scheme of delegation)

3. Overview and Scrutiny Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers

PRUDENTIAL AND TREASURY INDICATORS

Prudential Indicators

	2009/10	2010/11	2011/12	2012/13	2013/14
Extract from budget setting report	Actual	Probable Outturn	Estimate	Estimate	Estimate
Total Capital Expenditure	£1.589m	£4.882m	£5.802m	£2.425m	£0.680m
Ratio of financing costs to net revenue stream	-1.12%	1.03%	1.11%	1.58%	0.72%
Net borrowing requirement	-£10.724m	-£8.493m	-£3.640m	-£1.589m	-£1.427m
Capital Financing Requirement as at 31 March	£0.556m	£0.639m	£1.383m	£2.346m	£2.138m
Annual change in Capital Financing Requirement	£0.135m	£0.083m	£0.744m	£0.963m	-£0.208m
Incremental impact of capital investment decisions Increase in council tax (band D) per annum	N/a	N/a	£6.99	£10.85	£12.76

The indicators have been adjusted to meet the requirements of International Financial Reporting Standard (IFRS) accounting and allow for the reclassification of some of the Council's operating leases to finance leases.

Treasury Management Indicators

	2009/10	2010/11	2011/12	2012/13	2013/14
	Actual	Probable Outturn	Estimate	Estimate	Estimate
Authorised Limit for external debt -					
borrowing	N/a	£20m	£20m	£20m	£20m
other long term liabilities	N/a	£0m	£0m	£0m	£0m
Total	N/a	£20m	£20m	£20m	£20m
Operational Boundary for external					
debt -					
borrowing	N/a	£5m	£5m	£5m	£5m
other long term liabilities	N/a	£0m	£0m	£0m	£0m
Total	N/a	£5m	£5m	£5m	£5m
External debt	£0.556m	0.639m	£1.383m	£2.346m	£2.138m
Upper limit for fixed interest rate					
exposure					
Net principal re fixed rate borrowing / investments	N/a	N/a	100%	100%	100%
Upper limit for variable rate					
exposure					
Net principal re variable rate borrowing / investments	N/a	N/a	20%	50%	50%
Upper limit for total principal sums					
invested for over 364 days					
(per maturity date)	N/a	N/a	£1.0m	£1.0m	£1.0m

SPECIFIED AND NON-SPECIFIED INVESTMENTS

SPECIFIED INVESTMENTS:

All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable.

Investment	Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	Sovereign rating	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies	Per Sector Weekly Credit List	In-house
Money Market Funds	AAA	In-house
Banks nationalised by high credit rated (sovereign rating) countries	Per Sector Weekly Credit List	In-house
Government guarantee on ALL deposits by high credit rated (sovereign rating) countries*	Per Sector Weekly Credit List	In-house
UK Government support to the banking sector (implicit guarantee) **	Sovereign rating per Sector Weekly Credit List	In-house

* See Annex G

**The original list of banks covered when the support package was initially announced was:

- Abbey (now part of Santander)
- Barclays
- HBOS (now part of the Lloyds Group)
- Lloyds TSB
- HSBC
- Nationwide Building Society
- RBS
- Standard Chartered

Banks eligible for support under the UK bail-out package and which have issued debt guaranteed by the Government are eligible for a continuing Government guarantee when debt issues originally issued and guaranteed by the Government mature and are refinanced. However, no other institutions can make use of this support as it closed to new issues and entrants on 28.02.10. The financial institutions which have used this explicit guarantee are as follows:

- Bank of Scotland
- Barclays
- Clydesdale
- Coventry Building Society
- Investec
- Nationwide Building Society
- Rothschild Continuation Finance plc
- Standard Life Bank
- Tesco Personal Finance plc
- Royal Bank of Scotland
- West Bromwich Building Society
- Yorkshire Building Society

NON-SPECIFIED INVESTMENTS

A maximum of £1.0m will be held in aggregate in non-specified investment

1. Maturities of ANY period

Investment	Minimum Credit Criteria	Use	Maximum Investment	Maximum maturity period
Fixed term deposits with variable rate and variable maturities:				
Structured deposits	Per Sector Weekly Credit List	In-house	£1.0m	2 Years
Commercial paper issuance by UK banks covered by UK Government guarantee	UK Government explicit guarantee	In-house	£1.0m	2 Years
Other debt issuance by UK banks covered by UK Government guarantee	UK Government explicit guarantee	In-house	£1.0m	2 Years

2. Maturities in excess of 1 year

Investment	Minimum Credit Criteria	Use	Maximum Investment	Maximum maturity period
Term deposits – local authorities	--	In-house	£1.0m	2 Years
Term deposits – banks and building societies	Per Sector Weekly Credit List	In-house	£1.0m	2 Years
Certificates of deposits issued by banks and building societies	Per Sector Weekly Credit List	In house	£1.0m	2 Years
UK Government Gilts	AAA	In-house	£1.0m	2 Years
Bonds issued by multilateral development banks	AAA	In-house	£1.0m	2 Years
Bonds issued by a financial institution which is explicitly guaranteed by the UK government	AAA	In-house	£1.0m	2 Years

APPROVED COUNTRIES FOR INVESTMENT

AAA Rating

- Canada
- Denmark
- Finland
- France
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- U.K.
- U.S.A.

AA+ Rating

- Australia
- Belgium
- Hong Kong

AA Rating

- Japan
- Kuwait
- Qatar (AA S&P rating)
- UAE

AA- Rating

- Italy
- Saudi Arabia

* Sector has suggested that clients exercise care and caution when considering placing deposits with Irish and Portuguese banks as their economies and banking systems are currently under severe pressure.

INTEREST RATE FORECASTS

The data below shows a variety of forecasts published by a number of institutions. The first three are individual forecasts including those of UBS and Capital Economics (an independent forecasting consultancy). The final one represents summarised figures drawn from the population of all major City banks and academic institutions.

The forecast within this strategy statement has been drawn from these diverse sources and officers' own views.

1. INDIVIDUAL FORECASTS

Sector interest rate forecast – 6.01.11

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Bank rate	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.25%	2.75%	3.00%	3.25%	3.25%
3 month LIBID	0.60%	0.70%	0.80%	1.00%	1.25%	1.50%	1.75%	2.00%	2.50%	3.00%	3.25%	3.50%	3.50%
6 month LIBID	0.90%	1.00%	1.10%	1.20%	1.50%	1.80%	2.10%	2.40%	2.80%	3.20%	3.50%	3.80%	4.00%
12 month LIBID	1.40%	1.50%	1.60%	1.80%	2.10%	2.40%	2.70%	3.00%	3.20%	3.40%	3.65%	4.00%	4.20%
5yr PWLB rate	3.30%	3.30%	3.40%	3.50%	3.60%	3.80%	3.90%	4.10%	4.30%	4.60%	4.80%	4.90%	5.00%
10yr PWLB rate	4.40%	4.40%	4.40%	4.50%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.30%	5.40%	5.40%
25yr PWLB rate	5.20%	5.20%	5.20%	5.30%	5.30%	5.40%	5.40%	5.40%	5.50%	5.50%	5.60%	5.70%	5.70%
50yr PWLB rate	5.20%	5.20%	5.20%	5.30%	5.30%	5.40%	5.40%	5.40%	5.50%	5.50%	5.60%	5.70%	5.70%

Capital Economics interest rate forecast – 12.1.11

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.50%	2.00%
5yr PWLB rate	3.20%	3.20%	3.00%	2.75%	2.75%	2.90%	3.00%	3.20%	3.40%	3.60%	3.90%	4.20%
10yr PWLB rate	4.75%	4.75%	4.25%	3.75%	3.75%	3.75%	3.75%	3.75%	3.90%	4.00%	4.30%	4.60%
25yr PWLB rate	5.25%	5.25%	4.85%	4.65%	4.65%	4.65%	4.65%	4.65%	4.75%	4.85%	5.10%	5.30%
50yr PWLB rate	5.30%	5.30%	5.20%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.10%	5.20%	5.30%

UBS interest rate forecast (for quarter ends) – 06.01.11

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
Bank rate	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%
10yr PWLB rate	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%
25yr PWLB rate	5.25%	5.30%	5.35%	5.40%	5.45%	5.50%	5.55%	5.60%
50yr PWLB rate	5.35%	5.40%	5.45%	5.50%	5.55%	5.60%	5.65%	5.70%

2. SURVEY OF ECONOMIC FORECASTS

HM Treasury January 2011

The current Q4 2011 forecasts are based on the January 2011 report. Forecasts for 2011-2014 are based on 32 forecasts in the last quarterly forecast - in November 2010.

BANK RATE FORECASTS	quarter ended			annual average Bank Rate			
	actual	Q4 2011		ave. 2011	ave. 2012	ave. 2013	ave. 2014
Median	0.50%	2.00%		0.90%	1.60%	2.40%	3.00%
Highest	0.50%	0.50%		2.10%	3.10%	3.60%	4.50%
Lowest	0.50%	0.80%		0.50%	0.50%	0.60%	1.20%