

Central Bedfordshire
Council
Priory House
Monks Walk
Chicksands,
Shefford SG17 5TQ



please ask for Helen Bell
direct line 0300 300 4040
date 29 August 2013

NOTICE OF MEETING

CENTRAL BEDFORDSHIRE COUNCIL

Date & Time

Thursday, 12 September 2013 6.30 p.m.

Venue at

Council Chamber, Priory House, Monks Walk, Shefford

Richard Carr
Chief Executive

To: The Chairman and Members of the CENTRAL BEDFORDSHIRE COUNCIL

MEMBERS OF THE PRESS AND PUBLIC ARE WELCOME TO ATTEND THIS MEETING

AGENDA

Prayers

Father Richard Moroney, St. Peter's Roman Catholic Church, Biggleswade will take prayers.

1. **Apologies**

Apologies for absence to be received.

2. **Minutes**

To approve the minutes of the Council meeting held on 13 June 2013.

(Attached pages 5 to 12)

3. **Members' Interests**

To receive from Members any declarations of interest.

4. **Questions, Statements and Deputations**

To receive any questions, statements and deputations from members of the public in accordance with the Public Participation Procedure as set out in Annex 1 of part A4 of the Constitution.

5. **Petitions**

To receive and discuss petitions if any, in accordance with the Public Participation Procedure as set out in Annex 2 of part A4 of the Constitution.

6. **Chairman's Announcements and Communications**

The Chairman to announce any matters of communication.

7. **Leader of the Council's Announcements and Communications**

The Leader of the Council to announce any matters of communication.

8. **Executive Member Presentations**

To receive reports from two Executive Members on recent matters of interest and ask questions on matters contained in reports from:

- Executive Member for Economic Partnership
- Executive Member for Corporate Resources

9. **Recommendations from the Executive**

To consider recommendations from the meeting of the Executive, 13 August 2013 and answer questions asked under Rule No. 13.1.

(i) Community Engagement Strategy 2013-2016 (attached page 13)

(ii) East West Railway (attached page 15)

10. **Motions (if any)**

To consider motions by Members of the Council under Rule No. 17 in the order received.

11. **Written Questions (if any)**

To answer written questions from Members of the Council under Rule No. 13.2.

12. **Open Questions**

To answer Open Questions asked by Members of the Council under Rule No. 13.7.

13. **Treasury Management Outturn Report**

To consider a report of Councillor Maurice Jones, Executive Member for Corporate Resources, on managing Treasury Management Outturn.

(Attached pages 17 – 34)

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CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **CENTRAL BEDFORDSHIRE COUNCIL** held in the Council Chamber, Priory House, Monks Walk, Shefford on Thursday, 13 June 2013.

PRESENT

Cllr D Bowater (Vice-Chairman)

Cllrs	P N Aldis	Cllrs	C Hegley	Cllrs	N J Sheppard
	Mrs A Barker		P Hollick		I Shingler
	A R Bastable		D J Hopkin		M A Smith
	L Birt		J G Jamieson		Miss A Sparrow
	M C Blair		K Janes		B J Spurr
	D Bowater		R W Johnstone		R C Stay
	A D Brown		D Jones		A M Turner
	Mrs C F Chapman MBE		M R Jones		Mrs P E Turner MBE
	Mrs G Clarke		D J Lawrence		M A G Versallion
	I Dalgarno		Mrs J G Lawrence		N Warren
	A L Dodwell		K C Matthews		B Wells
	Mrs R J Drinkwater		D McVicar		R D Wenham
	P A Duckett		J Murray		P Williams
	Dr R Egan		Mrs M Mustoe		T Woodward
	Mrs R B Gammons		R B Pepworth		J N Young
	Mrs S A Goodchild		J A G Saunders		A Zerny
	Ms A M W Graham		A Shadbolt		

Apologies for Absence

Cllrs	R D Berry	Cllrs	C C Gomm	Cllrs	C Maudlin
	Mrs S Clark		Mrs D B Green		B Saunders
	N B Costin		Mrs D B Gurney		

Officers:	Mr J Atkinson	–	Head of Legal and Democratic Services
	Mr R Carr	–	Chief Executive
	Ms D Clarke	–	Director of Improvement and Corporate Services
	Mr M Coiffait	–	Community Services Director
	Mr A Fleming	–	Service Director - Business Services
	Mrs E Grant	–	Deputy Chief Executive/Director of Children's Services
	Mrs S Hobbs	–	Committee Services Officer
	Mrs J Ogley	–	Director of Social Care, Health and Housing
	Ms M Peaston	–	Committee Services Manager
	Mr C Warboys	–	Chief Finance Officer

In the absence of the Chairman the Vice-Chairman took the chair.

PRAYERS

Prayers were taken by Reverend Dr Frank Coleman, Vicar of Northill, Old Warden and Caldecote.

C/13/15 **Minutes**

RESOLVED

that the minutes of the meeting held on 18 April 2013 be confirmed and signed by the Chairman as a correct record.

C/13/16 **Members' Interests**

None were declared.

C/13/17 **Questions, Statements and Deputations**

No questions, statements or deputations were received.

C/13/18 **Petitions**

No petitions were received.

C/13/19 **Chairman's Announcements and Communications**

The Chairman made the following announcements:

- Athletes from Biggleswade Athletic Club were achieving great success and at a recent national indoor championship at the National Indoor Arena the Club had picked up two medals. Biggleswade had been the most successful club in the county.
- Central Bedfordshire and Bedford Borough Councils' Children's Centres, along with South Essex Partnership Trust Community Health Services Bedfordshire had been awarded UNICEF's 'Baby Friendly' status. The award recognised the efforts of all three organisations to increase breastfeeding and improve care for Bedfordshire mothers and babies.

- Caterlink, who provided the catering for the restaurant at Priory House, had received the Gold Heartbeat Award. This was given to Caterlink as they were able to demonstrate that they offered nutritious and wholesome food choices to their customers. The Gold Award was the highest award and was only achieved if the caterer had the maximum hygiene rating and scored over 85% in a comprehensive nutritional assessment.

The Chairman advised Members that he intended to change the order of business at the meeting and take items 15 and 16 before item 14 'Open Questions'.

C/13/20

Leader of the Council's Announcements and Communications

The Leader welcomed new appointees Marcel Coiffait, Community Services Director and Paul Meigh, Chief Procurement Officer to Central Bedfordshire Council. He also congratulated Deb Clarke, on her appointment as Director of Improvement and Corporate Services.

The Department for Transport had awarded £5m to the planned Woodside Link road. The Link road would connect Houghton Regis and the industrial estates in Dunstable to the planned new M1 junction (11a).

The Milton Keynes-based bid for a City Deal had moved a step forward following a recent presentation of the proposals to a Ministerial team.

C/13/21

Executive Member Presentations

Councillor Young, Executive Member for Sustainable Communities – Strategic Planning and Economic Development reported on recent developments within his portfolio area including:

- an innovative project for business investment in Middlefield Industrial Estate, Sandy
- recent visits to a number of businesses in Central Bedfordshire from which it was apparent that retail patterns and the role of high streets was changing
- jobs had been secured for 300 people in Central Bedfordshire as a result of a European Union funded programme
- the Luton and Dunstable Busway was progressing well and was due to be in operation from September
- it was anticipated that a planning application for the proposed development of land north of Houghton Regis would be considered in July
- the Department for Transport had awarded £5m for the Woodside Link road to help ease traffic congestion in Dunstable. The Government had agreed that the link road would be a national infrastructure project

- work on the A1 roundabout at south Biggleswade would commence in September
- Central Bedfordshire College had applied for £9m to refurbish the College
- Prologis was bringing business to Central Bedfordshire and it was anticipated that their investment would create around 1,000 jobs in the area.

Councillor Young responded to a question.

Councillor Versallion, Executive Member for Children's Services, focused his presentation on the social care of children and changes being introduced nationally. The impact of these changes was putting pressures on the Children's Services budget. He provided statistics for Central Bedfordshire which showed the considerable increase over the last two years of children with a Child Care Plan and of Looked After Children.

Councillor Versallion responded to questions.

C/13/22

Recommendation from General Purposes Committee

(a) Capital Programme Management

The Council considered a recommendation from the meeting of the General Purposes Committee held on 16 May 2013 seeking to amend the Constitution to simplify the approval of capital schemes in order that the Capital Programme could operate more efficiently.

RESOLVED

that the Constitution be amended by including the proposed capital programme related revisions to the Code of Financial Governance in Part I2, section 4.10 of the Constitution and to the Executive Functions in Part C3, section 3 of the Constitution as set out in Appendices A and B respectively.

C/13/23

Report from the Chairman of the Bedfordshire Police and Crime Panel

Council received an oral update from Councillor Mrs Chapman on the activities of the Bedfordshire Police and Crime Panel including:

- the membership and make up of the Panel
- the Panel's responsibilities for holding the Police and Crime Commissioner (PCC) to account, and to review and report on the PCC's Police and Crime Plan, the Annual Report and the proposed precept. It was also responsible for confirming the appointments made by the PCC including the Deputy Commissioner, the Chief Executive of the PCC's Office and the Chief Constable. The PCC had unanimously

recommended the appointment of Colette Paul as Chief Constable of Bedfordshire at a Confirmation hearing

- the Panel also dealt with non-criminal complaints made about the conduct of the PCC and the Deputy PCC, and any criminal complaints or conduct matters about them which were referred back to it by the Independent Police Complaints Commission.

C/13/24 **Report of the Bedfordshire Fire and Rescue Authority**

Council received an update from Councillor McVicar on the activities of the Bedfordshire Fire and Rescue Authority (BFRA) including:

- raising awareness of the safety benefits of having sprinklers installed in properties and a proposal to include a reference accordingly in Central Bedfordshire Council's Design Guide
- the BFRA had been through a Peer Review and feedback from the review had been very positive
- confirmation of attendance by Central Bedfordshire Council Members at BFRA meetings.

Councillor McVicar responded to questions.

C/13/25 **Motions (if any)**

Notice had been received from Councillor Pepworth of a Motion under Procedure Rule No 17 as follows:

"In view of the recent revelations about the blacklisting of workers in the construction industry this Council condemns such practices and disassociates itself from any involvement in them. Accordingly it will make clear to all construction companies bidding for Council contracts that any unlawful blacklisting of workers is unacceptable.

It will take all possible legal steps to remove companies that have engaged in blacklisting and have failed to compensate affected workers from its tender processes until compensation is paid".

The motion having been duly seconded was debated and voted upon.

The motion was lost.

C/13/26 **Written Questions**

A written question had been submitted under Rule No. 13.2 by Councillor Dr Egan as follows:

"On January 24 this year, I submitted a written question to Council highlighting a number of issues regarding land owned by Bellcross Homes (Shanley) in

Parkside. Since that meeting I have requested information on progress on a number of occasions. All I have received are the occasional communications indicating that meetings have taken place. However, there has been no observable action on the list of problems identified in written and oral questions to Council over the last three years. Can Councillor Spurr give me an assurance that these matters will be satisfactorily dealt with before the end of 2013.”

The Executive Member for Sustainable Communities – Services tabled a written response to the question.

The Executive Member for Sustainable Communities – Strategic Planning and Economic Development explained that a statutory process under Section 125 of the Town and County Planning Act had to be followed to resolve the situation.

C/13/27

Annual Report from the Overview and Scrutiny Committees

The Council received the Overview and Scrutiny Annual Report 2012/13 which summarised the activities of the Overview and Scrutiny Committees during the last twelve months.

RESOLVED

that the Overview and Scrutiny Annual Report 2012/13 be noted.

C/13/28

Audit Committee Activity - Biannual Report

The Council received the annual report from the Audit Committee for 2012/13 which presented a summary of the Committee’s activities during the last twelve months.

RESOLVED

that the Audit Committee Annual Report 2012/13 be noted.

C/13/29

Open Questions

The Chairman invited the Minority Group Leaders to ask a question each prior to the consideration of questions that had been placed in the Open Questions receptacle.

1. Councillor Murray sought assurance about the adequacy of home care support to elderly residents in Central Bedfordshire.

The Executive Member for Social Care, Health and Housing referred to the domiciliary care framework which enabled quarterly performance monitoring of complaints to ensure that residents were well looked after and safe from harm. If a contractor was not fulfilling their duties then the Council would take action. The Council was also considering replicating a similar system for residential care homes.

2. Councillor Aldis asked a question what the Executive Member for Children's Services was doing to address numbers of residents within Central Bedfordshire classified as illiterate.

The Executive Member for Children's Services advised that he was not aware of the statistics referred to, but he confirmed that he would look into this issue.

3. Councillor Shadbolt asked for an update on impact of the Government's Welfare Reform Strategy.

The Executive Member for Social Care, Health and Housing explained that a working group had been set up to monitor the impact on a monthly basis and the Council was working with residents to help them.

The Executive Member explained that a Member Development session on housing would be taking place on 14 June 2013. A document had been produced covering the Welfare Reform changes and this would be circulated to all Members.

4. Councillor Miss Sparrow asked a question about converting land outside Priory House into a wildflower meadow.

The Executive Member for Sustainable Communities – Services agreed to pass the suggestion on to the ground maintenance team.

5. Councillor D Lawrence welcomed the news that Biggleswade Hospital would remain open. In response to his request that Biggleswade ward Members be kept informed of developments he was invited to attend the next meeting of the Social Care, Health and Housing Overview and Scrutiny Committee on 29 July where the matter would be discussed.

6. Councillor Miss Sparrow asked a question about the cutting of grass verges and requested that this should be no more than 12 to 24 inches into the verges to allow wildlife to prosper.

The Deputy Executive Member for Sustainable Communities – Services explained that a rural verge grass cutting trial was taking place this year to reduce costs and to increase bio-diversity. He explained the cutting process and agreed to pass Councillor Miss Sparrow's comments to the contractor.

7. Councillor Aldis asked a question about the standard of the grass cutting, and enquired about the steps being taken to ensure that public open spaces were appropriately maintained.

The Deputy Executive Member for Sustainable Communities – Services undertook to look into the perceived problems and respond to Councillor Aldis.

8. Councillor Aldis asked a question about recent articles in the local press that had not shown the Council in a good light.

The Leader explained that the description of the cases concerned in the media did not necessarily reflect the full position.

9. Councillor Williams asked a question about the Council’s policy on parking on grass verges and the wooden posts installed in Court Drive, Dunstable. He commented that there were areas in Houghton Regis that needed similar action.

The Executive Member for Sustainable Communities – Services explained that a draft policy on parking on grass verges would shortly be submitted to the Sustainable Communities Overview and Scrutiny Committee. He indicated that he would look into the problems referred to in Houghton Regis.

10. Councillor Murray asked the Deputy Leader and Executive Member for Corporate Resources to ensure that officers make every effort to provide a substantive response to a member enquiry within two workings days.

The Deputy Leader and Executive Member for Corporate Resources indicated that he would take the appropriate action.

(Note: The meeting commenced at 6.30 p.m. and concluded at 8.14 p.m.)

Chairman

Dated

COUNCIL MEETING – 12 SEPTEMBER 2013
Item 9 (i)

**Recommendation to Council from the Executive meeting
held on 25 June 2013**

E/13/25 Community Engagement Strategy - 2013 - 2016

The Executive considered a report from the Deputy Leader and Executive Member for Corporate Resources that set out the proposed Community Engagement Strategy (CES) 2013 – 2016 to be recommended for adoption by Council in September 2013.

Members were advised that the Strategy had been amended as it would be dated from June 2013 to the end of May 2016 and that the activity relating to vulnerable and minority groups had been rewritten to include gypsies and travellers.

In response to a question, the Deputy Executive Member for Corporate Resources confirmed that officers should inform the relevant Executive Member and relevant Ward Member of any area based issues that were taking place in their wards/towns or likely to impact upon them.

Reason for decision: To deliver greater added value to the Council's citizens by understanding their needs and issues, and give them greater involvement in the decision-making process and access to services.

RESOLVED

- 1. that the final draft of the Community Engagement Strategy 2013-16 be approved, as amended; and**
- 2. that the supporting policy statements be endorsed.**

RECOMMENDED to Council

that the strategy, as amended and its supporting policy statements be adopted.

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**COUNCIL MEETING – 12 SEPTEMBER 2013
Item 9 (ii)**

**Recommendation to Council from the Executive meeting
held on 13 August 2013**

E/13/36 East West Rail

The Executive considered a report from the Executive Member for Sustainable Communities for Strategic Planning and Economic Development that outlined the benefits and implications of a new East West rail route. The report also set out the contribution required of the Council to support the delivery of the East West Rail (Western Section) Project, following discussions with Network Rail, the Department for Transport and the East West Rail consortium.

In response to a question, the Council would seek to monitor in particular any proposed works to the level crossing in Woburn Sands, as this might have an impact on the residents of Woburn.

The Executive Member for Sustainable Communities – Strategic Planning and Economic Development explained the reasons for promoting a stopping point at Ridgmont. Ridgmont Station had better parking facilities and was closest to, for example, Cranfield University.

Reason for decision: For the Council to fulfil its obligations to support the delivery of the East West Rail Western Section project.

RESOLVED

- 1. that the Council supports the East West Rail Western Section project, with a preference for a new Bedford to Oxford / Reading rail service to include a stop at Ridgmont station.**

RECOMMENDED to Council

- 1. that the Council's contribution to the East West Rail Western Section project of an estimated £5.180 million be included in future updates of the Capital Programme.***

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Meeting: Council
Date: 12 September 2013
Subject: Treasury Management Outturn Report
Report of: Cllr Maurice Jones, Deputy Leader and Executive Member for Corporate Resources

Summary: In compliance with relevant codes of practice adopted by Central Bedfordshire Council this report provides a review of Treasury Management activities for the year ended 31 March 2013.

Advising Officer: Charles Warboys, Chief Finance Officer and Section 151 Officer

Contact Officer: Charles Warboys, Chief Finance Officer and Section 151 Officer

Public/Exempt: Public

Wards Affected: All

Function of: Council

CORPORATE IMPLICATIONS

Council Priorities:

Effective management of the Council's financial resources and the associated risks is a cornerstone to the delivery of the Council's priorities

Financial:

1. The Council's Treasury Management Strategy and Prudential Indicators underpin the Medium Term Financial Plan (MTFP). Performance against the Strategy and the Prudential Indicators is explained within the body of this report.
2. Treasury management is defined by the CIPFA Code of Practice for Treasury Management in the Public Services as: "The management of the local authority's 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."

Legal:

3. The Council's treasury management activities are regulated by statute, professional codes and official guidance. The Local Government Act 2003 (the Act) provides the powers to borrow and invest as well as providing controls and limits. Under the Act, the department for Communities and Local Government has issued Guidance on Local Government Investments (revised March 2010) to structure and regulate the Council's investment activities. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 – Statutory Instrument (SI) 3146 (plus subsequent amendments), develops the controls and powers within the Act. The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities. The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services (the Code of Practice).
4. CIPFA revised the Code of Practice in November 2011 to reflect developments in financial markets and the introduction of the Localism Act for English local authorities.

Risk Management:

5. The approved strategy aims to manage the risks to the Council's finances from instability in financial markets.

Staffing (including Trades Unions):

6. Not Applicable.

Equalities/Human Rights:

7. Not Applicable.

Public Health:

8. Not Applicable.

Community Safety:

9. Not Applicable.

Sustainability:

10. Not Applicable.

Procurement:

11. Not Applicable.

RECOMMENDATION:

The Council is asked to:

1. **note the report on Treasury Management and the Prudential Indicators performance for the year ended 31 March 2013.**

Background

12. The Council's Treasury Management Strategy has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.
13. The Code also requires that all Members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority has adopted best practice in accordance with CIPFA's recommendations. Local arrangements require the Corporate Resources Overview and Scrutiny Committee to receive, on a quarterly basis, treasury management performance reports and every year to scrutinise the revised strategy.
14. Overall responsibility for treasury management remains with the Council.
15. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives.
16. This report provides Members with a summary of the treasury management activity during 2012/13. The Council can confirm a prudent approach has been taken in relation to its investment activities with priority being given to security and liquidity over yield.

Summary of Borrowing and Investment Strategies

17. The Council's strategy over the period can be summarised as :
 - i) No external borrowing has been undertaken to finance capital expenditure or re-finance existing maturing debt. These costs have been met by reducing liquid resources.
 - ii) The opportunities for debt rescheduling are regularly monitored but, as anticipated, no opportunities materialised.
 - iii) Given continuing global financial turmoil during the year, the security and liquidity of investments were safeguarded by restricting counterparties to those of high creditworthiness and also restricting time periods for investments.

Treasury Activities

18. Security of capital remained the Council's main investment objective. The Council's investment income for the year was £0.9m and the average cash balances were £69.7m. Details of investment activity in 2012/13 are set out in Appendix A

- 19 In line with the approved treasury strategy no new borrowing was undertaken in 2012/13. The Council used internal resources in lieu of borrowing and this has continued to be the most cost effective means of funding capital expenditure. Maturing debt of £5m was not replaced with new loans. No opportunities for debt rescheduling were identified. Details of investment and borrowing activities are set out in Appendix A

Prudential Indicators

- 20 The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and produce prudential indicators to support decision making. The Prudential Code was revised in November 2011 and has been adopted by this Council.
- 21 Prudential indicators for 2012/13 were approved at the 24 January 2013 and 21 February 2013 Council meetings. The Council's borrowing has not exceeded the various limits determined within the Treasury Management Strategy and any Prudential Indicators relevant to debt. The full details of the performance in respect of all of the 2012/13 approved Prudential indicators are set out in Appendix B.
22. Three indicators had a 2012/13 outturn higher than the approved values which results from the progress of the approved capital programme. The revenue estimates for financing the capital programme included in the Medium Term Financial Plan 2013/2017 were based on the assumption of a 20% annual deferral of the approved gross expenditure capital budget. Applying the same assumption for the purposes of setting prudential indicators for 2012/13 produced an indicator in respect of capital expenditure of £70.9m. The outturn capital spend of £73.4m at 31 March 2013 was a reflection of a lower actual scheme deferral of 15%. Mainly as a result of the higher than assumed level of capital expenditure for 2012/13 the outturn positions for two other indicators were marginally above the approved values. Specifically the indicators in respect of the Capital Financing Requirement (approved £396.1m, actual £399.4m) and the ratio of financing cost to net revenue stream for the General Fund (approved 6.1%, actual 6.2%).

Appendices:

Appendix A – Borrowing and Investment Activities 2012/13

Appendix B – Prudential Indicators 2012/13

Appendix C – Interest rates 2012/13

Background Papers: (open to public inspection)

The Chartered Institute of Public Finance & Accountancy – The Prudential Code for Capital Finance in Local Authorities (2011 Edition).

The Chartered Institute of Public Finance & Accountancy – Treasury Management in the Public Services, Code of Practice and Cross-Sectoral Guidance notes (2011 Edition).

The Chartered Institute of Public Finance & Accountancy – Treasury Management in the Public Services, Guidance Notes for Local Authorities including Police Authorities and Fire Authorities (2011 Edition).

Appendix A - Borrowing and Investment Activities

The Borrowing Requirement and Debt Management

The Council's capital expenditure is financed by external funding, revenue contributions or capital receipts. The Council is allowed to borrow to fund any shortfall in financing, provided the level of borrowing is prudent and sustainable. The Council increases its borrowing requirement when incurring any capital expenditure which is not financed by grants, contributions, capital receipts or revenue contributions. In addition to paying interest on debt, local authorities are required to set cash aside annually to repay the principal General Fund debt balance by means of a Minimum Revenue Provision (MRP). The borrowing requirement is reduced by the amount of any in year MRP

Borrowing Activity in 2012/13

	Balance on 01/04/2012 £m	Debt Maturing £m	Debt Prematurely Repaid £m	New Borrowing £m	Balance on 31/03/2013 £m
CFR	374.6				399.4
Short Term Borrowing ¹	5.0	5.0	0	0	7.6
Long Term Borrowing	315.6	0	0	0	308.0
TOTAL BORROWING	320.6	0	0	0	315.6
Other Long Term Liabilities	18.4	0.9	0	0	17.5
TOTAL EXTERNAL DEBT	339.0	5.9	0	0	333.1

The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) as at 31/3/2013 was estimated at £399.4m.

The Council did not fund any of its capital expenditure through new borrowing in 2012/13. All borrowing requirements were met by internal resources. The PWLB remained the Council's preferred source of borrowing given the transparency and control that its facilities continue to provide. The Council has access to borrowing at the PWLB Certainty rate which was introduced by the PWLB in November 2012, allowing the authority to borrow at a reduction of 20bps on the Standard Rate.

Internal Borrowing

Given the significant cuts to local government funding putting pressure on Council finances, the strategy followed was to minimise debt interest payments without compromising the longer-term stability of the portfolio. The differential between the cost of new longer-term debt and the return generated on the Council's temporary investment returns was significant between 2% - 3%. The use of internal resources in lieu of borrowing was judged to be the most cost effective means of

¹ Loans with maturities less than 1 year.

Annual Treasury Report 2012/13

funding capital expenditure. This has, for the time being, lowered overall treasury risk by reducing both external debt and temporary investments. Whilst this position is expected to continue in 2013/14, it will not be sustainable over the medium term. It is estimated that there will be a need to borrow for capital purposes during 2014/15

Lender’s Option Borrower’s Option Loans (LOBOs)

The 2011 revision to the CIPFA Treasury Management Code now requires the prudential indicator relating to Maturity of Fixed Rate Borrowing to reference the maturity of LOBO loans to the earliest date on which the lender can require payment, i.e. the next call date. This change is reflected in Appendix B, paragraph (c). LOBO loans with a principal of £13.5m are included in the £17.9m value of loans disclosed as reaching maturity in less than 12 months.

Debt Rescheduling / Restructuring

No debt rescheduling or restructuring was undertaken in 2012/13.

Investment Activity

CLG’s Investment Guidance requires local authorities to focus on security and liquidity, rather than yield.

Investment Activity in 2012/13

Investments	Balance on 01/04/2012 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance on 31/03/2013 £m
Short Term Investments*	47.0	563.2	573.5	36.7
Long Term Investments	0	0	0	0
Investments in Pooled Funds	4.7	0		4.7
TOTAL INVESTMENTS	51.7	563.2	573.5	41.4

*includes liquidity account and cash equivalent.

Security of capital remained the Council’s main investment objective. This was maintained by following the Council’s counterparty policy as set out in its Treasury Management Strategy Statement for 2012/13. Investments during the year included:

- Investments in AAA-rated Constant & Variable Net Asset Value Money Market Funds
- Call accounts and deposits with Banks and Building Societies systemically important to the UK’s banking system.

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Credit Risk

Counterparty credit quality was assessed and monitored with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; any potential support mechanisms and share price. The minimum long-term counterparty credit rating determined for the 2012/13 treasury strategy was A-/A-/A3 across rating agencies Fitch, S&P and Moody's.

In June Moody's downgraded a number of banks with global capital market operations, including the UK banks on the Council's lending list - Barclays, HSBC, Royal Bank of Scotland/Natwest, Lloyds TSB Bank/Bank of Scotland, Santander UK plc - as well as several non UK banks, but none of the ratings fell below the Council's minimum A-/A3 credit rating threshold.

Liquidity

In keeping with the CLG's Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds/overnight deposits/call accounts.

Yield

The Council sought to optimise returns commensurate with its objectives of security and liquidity. The UK Bank Rate was maintained at 0.5% through the year.

The Council considered an appropriate risk management response to uncertain and deteriorating credit conditions in Europe was to shorten maturities for new investments. Short term money market rates also remained at very low levels (as shown in table 1 in Appendix C which had a significant impact on investment income, as investments were placed overnight.

The Council's budgeted investment income for the year had been estimated at £0.9m. Actual interest earned by the council was just over £0.9m on investments the council long term investment in the Lime Fund provided some cushioning against the low interest rate environment.

The average cash balances representing the Council's reserves, contributions/grants in advance, and working balances, were £69.7m during the period.

Compliance

To support financial strategic planning and decision making the Council approves annually a series of prudential indicators (Appendix B) which are regularly monitored. The Capital Expenditure Prudential Indicator for 2012/13 of £70.9m was based on the assumption of an 20% annual deferral of approved capital budgeted gross expenditure. The outturn capital spend of £73.4m at 31 March 2013 reflected a lower rate of actual scheme deferral of 14.9%.

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As a result primarily of the higher than estimated level of capital expenditure the outturn positions for two other indicators are marginally above the approved indicators. Specifically the indicators in respect of the Capital Financing Requirement (approved £396.1m, actual £399.4m) and the ratio of financing cost to net revenue stream for the general fund (approved 6.1%, actual 6.2%).

The Council's borrowing did not exceed the various limits determined by the Treasury Management Strategy and specific Prudential Indicators. Full details of performance in respect of all of the prudential indicators for 2012/13 are set out in Appendix B.

In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2012/13. The council can confirm it has taken a prudent approach in relation to investment activity with priority being given to security and liquidity over yield.

The Authority can confirm that during 2012/13 it complied with its **Treasury Management Policy Statement** and **Treasury Management Practices**.

Other Items

PWLB Project Rate

The 2012 Autumn Statement announced that the Government would make available a new concessionary public works loan rate to an infrastructure project nominated by each Local Enterprise Partnership (excluding London) in England, with total borrowing capped at £1.5 billion. The Government will provide a UK guarantee to allow the Mayor of London to borrow £1 billion at a new preferential rate to support the Northern Line Extension to Battersea.

The March 2013 Budget announced details of the "project rate" which will enable English local authorities (LAs) working with their LEP to access cheaper borrowing on up to £1.5 billion of investment.

The Public Works Loan Board (PWLB) project rate has been set at 40 basis points below the standard rate across all loan types and maturities. It will be available to local authorities in England from 1 November 2013. This discounted borrowing is being made available to support strategic local capital investment projects. The Government is asking each LEP to work with LAs in their area to agree which project should benefit from the cheaper borrowing support. This will give LEPs, in consultation with LAs, the power to prioritise the projects that best support shared local goals.

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Appendix B - Prudential Indicators

Capital Financing Requirement (CFR)

Estimates of the Council's cumulative maximum external borrowing requirement for 2012/13 to 2014/15 are shown in the table below:

	31/03/2013 Approved £m	31/03/2013 Actual £m	31/03/2014 Estimate £m	31/03/15 Estimate £m
General Fund CFR	231.1	235.8	261.2	283.2
HRA CFR	165.0	163.6	165.0	165.0
Gross CFR	396.1	399.4	426.2	448.2
Less: Other Long Term Liabilities	17.9	17.5	17.1	16.3
Borrowing CFR	378.2	381.9	409.1	431.9
Less: Existing Profile of Borrowing	315.5	315.5	308.0	291.6
Gross Borrowing Requirement/Internal Borrowing	62.7	66.4	101.1	140.3
Usable Reserves	57.0	66.2	59.0*	59.3*
Net Borrowing Requirement	5.7	0.2	32.9	72.0

* Based upon estimated 2012/13 usable reserves

In the Prudential Code Amendment (November 2012), it states that the Chief Finance Officer should make arrangements for monitoring with respect to gross debt and the capital financing requirement such that any deviation is reported to him/her, since any such deviation may be significant and should lead to further investigation and action as appropriate.

	31/03/2013 Approved £m	31/03/2013 Actual £m	31/03/2014 Estimate £m	31/03/15 Estimate £m
CFR	396.1	399.4	426.2	448.2
Gross Debt	333.4	333.0	325.1	307.9
Difference	62.7	66.4	101.1	140.3
Borrowed in excess of CFR? (Y/N)	N	N	N	N

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Prudential Indicator Compliance

(a) Authorised Limit and Operational Boundary for External Debt

- The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached.
- The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit.
- The Chief Finance Officer confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the year; borrowing at its peak was £320.6m.

	Operational Boundary (Approved) as at 31/03/2013 £m	Authorised Limit (Approved) as at 31/03/2013 £m	Actual External Debt as at 31/03/2013 £m
Borrowing	404.5	414.5	315.5
Other Long-term Liabilities	22.9	25.4	17.5
Total	427.4	439.9	333.0

(b) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Approved Limits for 2012/13 %	Maximum during 2012/13 %
Upper Limit for Fixed Rate Exposure	100	74.9
Compliance with Limits:	Yes	Yes
Upper Limit for Variable Rate Exposure	35	25.5
Compliance with Limits:	Yes	Yes

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(c) Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing as at 31/03/2013 £m	Fixed Rate Borrowing as at 31/03/2013 %	Compliance with Set Limits?
under 12 months	20	0	17.9	7.6	Yes
12 months and within 24 months	20	0	0	0	Yes
24 months and within 5 years	60	0	0	0	Yes
5 years and within 10 years	100	0	1.6	0.7	Yes
10 years and within 20 years	100	0	133.1	56.6	Yes
20 years and within 30 years	100	0	20	8.5	Yes
30 years and within 40 years	100	0	40.3	17.2	Yes
40 years and within 50 years	100	0	22.0	9.4	Yes
50 years and above	100	0	0	0	Yes

(The 2011 revision to the CIPFA Treasury Management Code now requires the prudential indicator relating to Maturity of Fixed Rate Borrowing to reference the maturity of LOBO loans to the earliest date on which the lender can require payment, i.e. the next call date)

(d) Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits, and, in particular, to consider the impact on Council tax and in the case of the HRA, housing rent levels.

Capital Expenditure	2012/13 Approved £m	2012/13 Actual £m	31/03/2014 Estimate £m	31/03/15 Estimate £m
Non-HRA	64.3	66.8	80.2	60.5
HRA	6.6	6.7	11.0	14.8
Total	70.9	73.4	91.2	75.3
Compliance with Set Limits		NO		

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Capital expenditure has been and will be financed or funded as follows:

Capital Financing	2012/13 Approved £m	2012/13 Actual £m	31/03/2014 Estimate £m	31/03/15 Estimate £m
Capital receipts	8.7	3.7	1.7	6.5
Government Grants	34.9	38.4	43.8	23.4
Major Repairs Allowance	0	0		
Revenue contributions		0.75	10.8	14.6
Use of Negative CFR	6.4	6.4		
Total Financing	50.0	49.3	56.2	44.6
Supported borrowing				
Unsupported borrowing	20.9	24.2*	35.6	29.8
Total Funding	70.9	73.4	91.8	74.4

* Internal borrowing

The table shows that the capital expenditure plans of the Authority could not be funded entirely from sources other than external borrowing. The authority was able to meet this borrow requirement from this internal resources.

(e) Ratio of Financing Costs to Net Revenue Stream

- This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs.
- The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2012/13 Approved %	2012/13 Actual %	31/03/2014 Estimate %	31/03/15 Estimate %
Non-HRA	6.1	6.2	7.2	8.5
HRA	14.5	14.5	14.4	13.9
Total	7.2	7.2	8.1	9.3

(f) Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Authority adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the adoption of the CIPFA Treasury Management Code at full Council meeting on 29 th November 2012.

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(g) **Upper Limit for Total Principal Sums Invested Over 364 Days**

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

Upper Limit for total principal sums invested over 364 days	2012/13 Approved £m	2013/13 Actual £m	31/03/2014 Estimate £m	31/03/15 Estimate £m
	25.0	0.0	25.0	25.0

(h) **HRA Limit on Indebtedness**

	2012/13 Approved £m	2013/13 Actual £m	31/03/2014 Estimate £m	31/03/15 Estimate £m
HRA Debt Cap (as prescribed by CLG)	165.0	165.0	165.0	165.0
HRA CFR	165.0	163.6	165.0	165.0
Difference	0	1.4	0	0

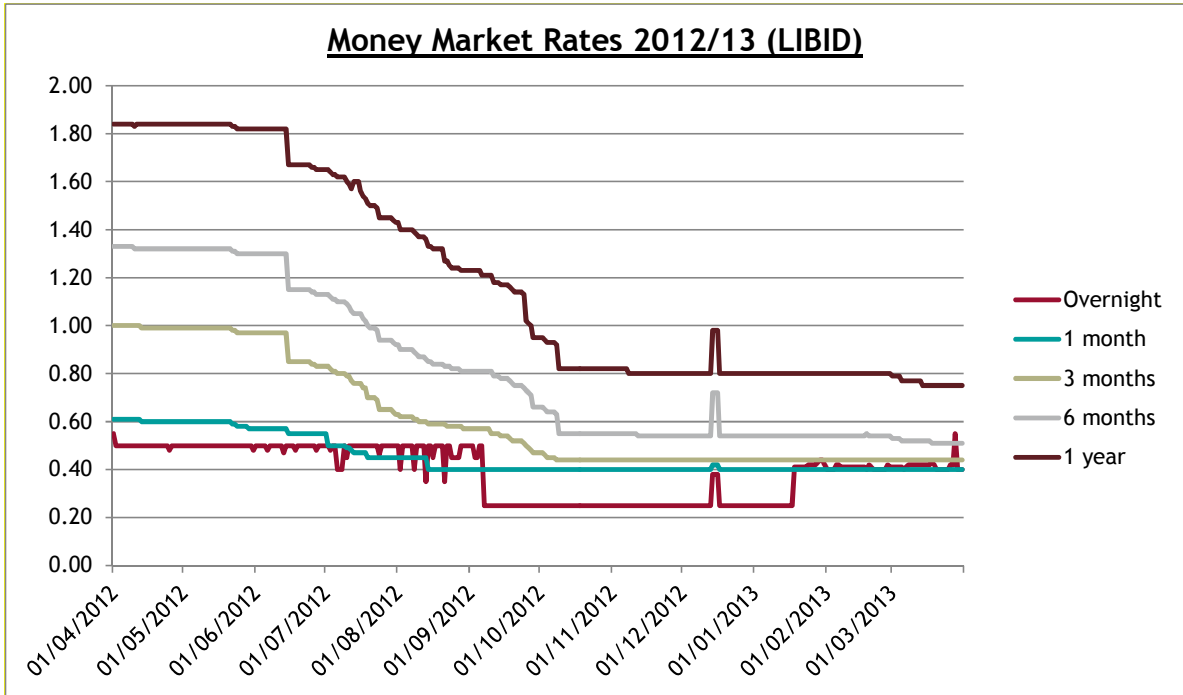
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Appendix C Interest Rates 2012/13

The average, low and high rates correspond to the rates during the financial year and rather than those in the tables below

Table 1: Bank Rate, Money Market Rates

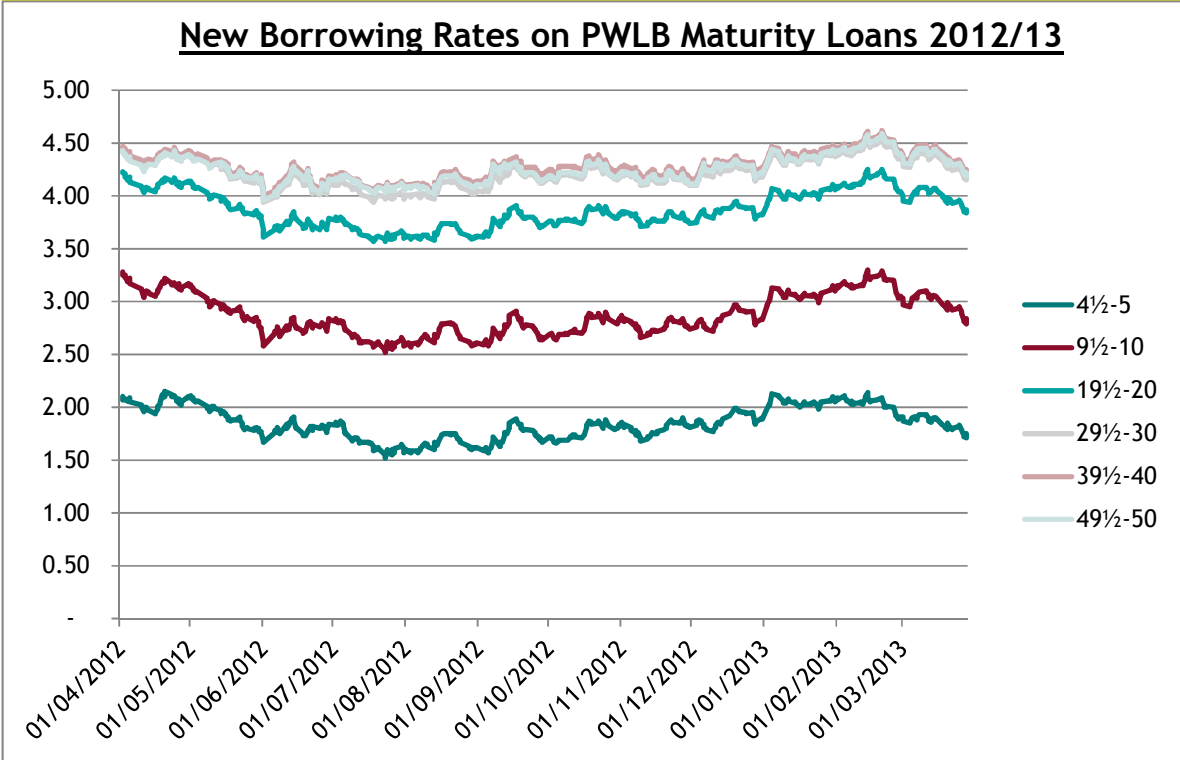
Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/04/2012	0.5	0.6	0.6	0.6	1.0	1.3	1.8	1.2	1.3	1.6
30/04/2012	0.5	0.5	0.7	0.6	1.0	1.3	1.8	1.4	1.4	1.7
31/05/2012	0.5	0.5	0.7	0.6	1.0	1.3	1.8	1.2	1.2	1.3
30/06/2012	0.5	0.5	0.5	0.6	0.8	1.1	1.7	1.0	1.0	1.3
31/07/2012	0.5	0.5	0.7	0.5	0.6	0.9	1.4	0.8	0.8	1.0
31/08/2012	0.5	0.5	0.5	0.4	0.6	0.8	1.2	0.8	0.8	1.0
30/09/2012	0.5	0.3	0.5	0.4	0.5	0.7	1.0	0.7	0.8	1.0
31/10/2012	0.5	0.3	0.4	0.4	0.4	0.6	0.8	0.7	0.8	1.1
30/11/2012	0.5	0.3	0.3	0.4	0.4	0.5	0.8	0.7	0.8	1.1
31/12/2012	0.5	0.3	0.4	0.4	0.4	0.5	0.8	0.7	0.8	1.0
31/01/2013	0.5	0.4	0.4	0.4	0.4	0.5	0.8	0.7	0.9	1.2
29/02/2013	0.5	0.4	0.4	0.4	0.4	0.5	0.8	0.6	0.7	1.0
31/03/2013	0.5	0.4	0.4	0.4	0.4	0.5	0.8	0.6	0.7	1.0
Minimum	0.5	0.3	0.3	0.4	0.4	0.5	0.8	0.6	0.7	0.9
Average	0.5	0.4	0.5	0.5	0.6	0.8	1.2	0.8	0.9	1.2
Maximum	0.5	0.6	0.7	0.6	1.0	1.3	1.8	1.4	1.5	1.7
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Table 2: PWLB Borrowing Rates – Fixed Rate, Maturity Loans

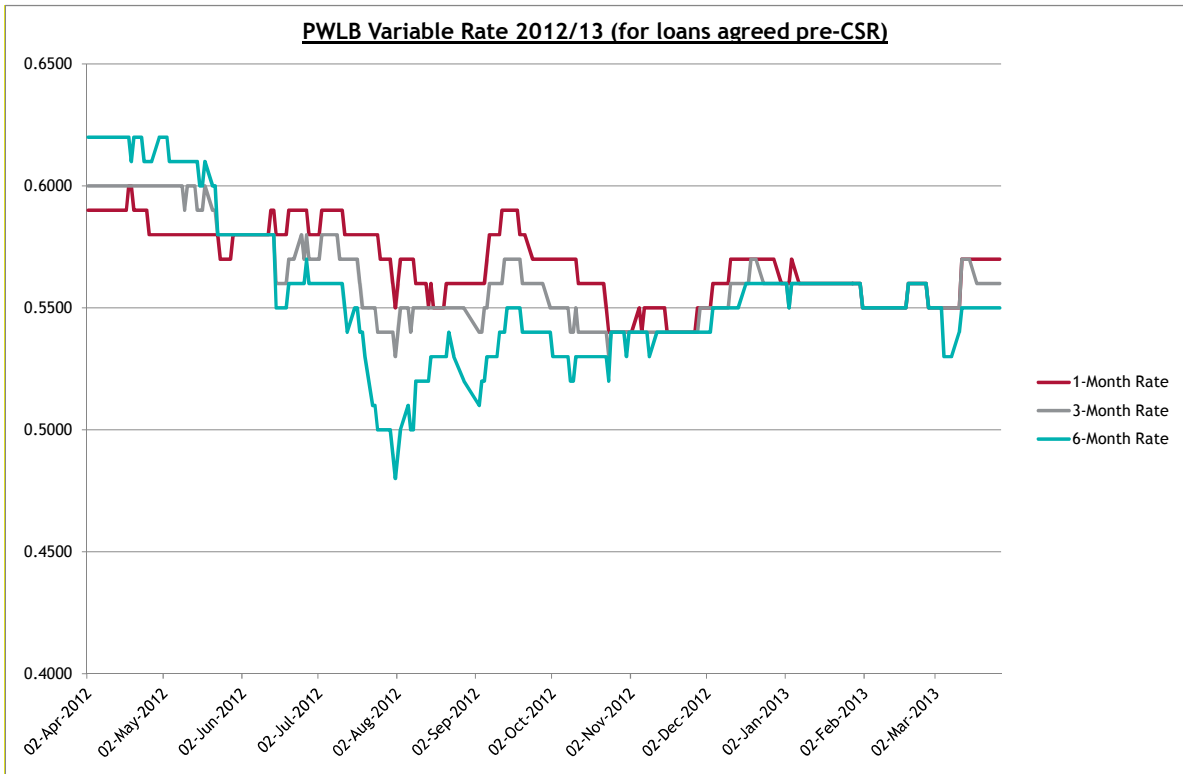
Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
02/04/2012	130/12	1.3	2.1	3.3	4.2	4.4	4.5	4.4
30/04/2012	166/12	1.3	2.1	3.2	4.1	4.4	4.4	4.4
31/05/2012	210/12	1.2	1.8	2.7	3.8	4.1	4.2	4.1
29/06/2012	248/12	1.2	1.8	2.8	3.8	4.1	4.2	4.1
31/07/2012	292/12	1.0	1.6	2.6	3.6	4.0	4.1	4.1
31/08/2012	336/12	1.1	1.6	2.6	3.6	4.1	4.1	4.1
28/09/2012	376/12	1.2	1.8	2.7	3.7	4.1	4.2	4.1
28/10/2012	422/12	1.2	1.8	2.8	3.8	4.2	4.3	4.2
30/11/2012	466/12	1.2	1.8	2.8	3.7	4.1	4.2	4.1
31/12/2012	504/12	1.2	1.9	2.8	3.8	4.2	4.3	4.2
31/01/2013	044/13	1.3	1	3.1	4.1	4.4	4.4	4.4
28/02/2013	084/13	1.2	1.9	3.0	4.0	4.4	4.4	4.4
28/03/2013	124/13	1.1	1.8	2.8	3.9	4.2	4.3	4.2
	Low	1.0	1.6	2.6	3.6	4.0	4.1	4.1
	Average	1.2	1.8	2.9	3.9	4.2	4.3	4.2
	High	1.3	2.1	3.3	4.2	4.4	4.5	4.4



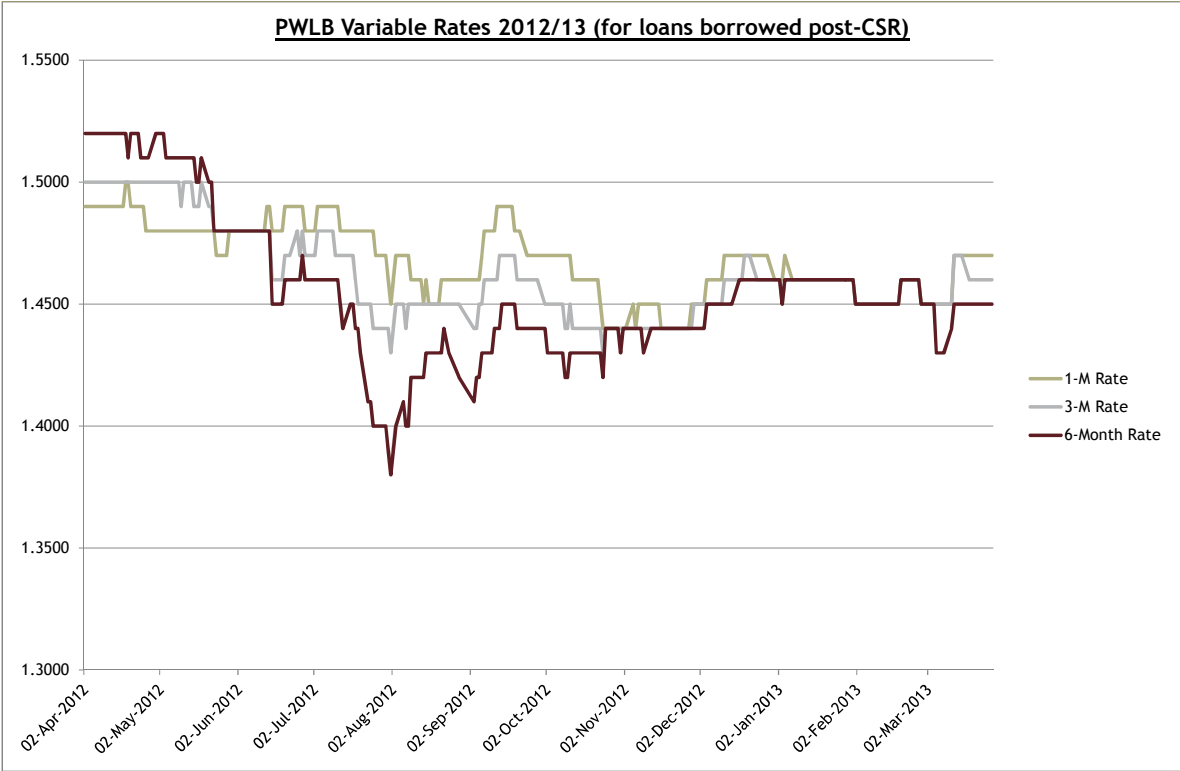
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Table 3: PWLB Variable Rates

	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate
	Pre-CSR			Post-CSR		
02/04/2012	0.6	0.6	0.6	1.5	1.5	1.5
29/06/2012	0.6	0.6	0.6	1.5	1.5	1.5
28/09/2012	0.6	0.6	0.5	1.5	1.45	1.4
31/12/2012	0.6	0.6	0.6	1.5	1.45	1.5
28/03/2013	0.6	0.6	0.6	1.5	1.5	1.5
Low	0.5	0.5	0.5	1.4	1.4	1.4
Average	0.6	0.6	0.6	1.5	1.5	1.5
High	0.6	0.6	0.6	1.5	1.5	1.5



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