



Part I
Release to Press

Meeting: EXTRAORDINARY MEETING OF COUNCIL

Agenda Item:

Date: 18 June 2009

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TREASURY MANAGEMENT STRATEGY (REVISED)

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1 PURPOSE

- 1.1 To update Members on the recommended changes to the Treasury Management Strategy since its approval by the April Council.
- 1.2 Reason for urgency. It is a statutory requirement for the Executive and Council to formally approve the Prudential Indicators. Given the time scale to commence the Decent Homes programme and hence access the supported borrowing, it is important that the report is considered at the Executive meeting on 10 June.

2 RECOMMENDATIONS

- 2.1 To approve the revised Treasury Management Strategy to reflect the supported borrowing of £55million and recommend to Council for approval.
- 2.2 That Scrutiny Overview Committee report any views directly to Council.

3 BACKGROUND

- 3.1 Since the Treasury Management Strategy was approved by Council, Stevenage Homes Ltd, (SHL) have successfully achieved a two star rating from the Audit Commission. This gives the Council access to supported borrowing of £55million (over 5 years), to enable SHL to bring the housing stock to the decent homes standard.

4 REASONS FOR RECOMMENDED COURSE OF ACTIONS AND OTHER

OPTIONS

- 4.1 The Council's Treasury Management Strategy will need to be amended to reflect the supported borrowing of £55million over the next 5 years. SHL manage the housing stock on behalf of the Council, but as the owner of the stock, it is the Council who borrow the funding.
- 4.2 The decent homes funding is termed 'supported borrowing' because the Government pays the interest on the loans, via the HRA subsidy system. Borrowing to resource the decent homes standard will mean the Council is no longer debt free. The Council will borrow the funding on an interest only basis and the debt will remain on the Council's balance sheet.
- 4.3 There is no benefit to the Council in remaining debt free other than not having to pay debt charges. From 2004/05 with the introduction of prudential borrowing, there is no longer an element of HRA receipts that have to be set aside or reserved by Council's 'with debt'. Under the current legislation all Councils must pay a portion of HRA receipts (75% dwellings, 50% land), to the government under the 'pooling arrangements'.
- 4.4 The approved Treasury Management Strategy already includes £10million for General Fund borrowing, this is short term basis for cash flow purposes. However, the Council has experienced a slow down over the last year of land and property sales and has already deferred/deleted £8million from the capital programme.
- 4.5 The Capital Strategy will be updated and reported back to Members, if the slowdown in sale of assets continues the Council will either have defer more of the capital programme or look to prudentially borrow. This would be termed 'unsupported borrowing' and would impact on the bottom line of the General Fund. The Council would have to pay the interest charges from the General Fund and make a repayment known as the 'minimum revenue provision.
- 4.6 The Strategy has been revised to allow this council to borrow up to £21million in 2009/10, this being the Council's operational boundary for external debt. The Council may exceed this boundary in the short term by a further £5million to a total of £26million for 2009/10, this being the Council's authorised limit for external debt.
- 4.7 As part of the Treasury Management Strategy the Council must produce a number of indicators, which are detailed in Appendix A and include:
 - Capital expenditure current and future and the impact the expenditure has on the the HRA and General Fund. (indicators 1,2 and 5)
 - The calculation of how much the Council needs to borrow for prudential or unsupported borrowing (capital financing requirement, indicator 4)
 - The maximum amount of loans the Council is authorised (via the the Treasury Management Strategy) to borrow (indicators 6 and 7)
 - The maximum amount of loans the Council is authorised (via the the Treasury Management Strategy) to invest for more than a year (indicator 10)

5 IMPLICATIONS

5.1 Financial Implications

As the report is of a financial nature, the implications are in the body of the report and appendices.

5.2 Legal Implications

None

BACKGROUND PAPERS

APPENDICES

- Appendix A Prudential Borrowing Indicators