

REPORT TO: Council

DATE: 15 September 2014

REPORTING OFFICER: Operational Director – Finance

PORTFOLIO: Resources

TITLE: Treasury Management Strategy 2014/15 - Revised Authorised Limit and Operational Boundary

WARDS: Borough-wide

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to recommend revisions to the Council's Treasury Management Investment Strategy for 2014/15 in respect of the approved Authorised Limit and Operational Boundary.

2.0 RECOMMENDATION: That Council adopt the revised Authorised Limit of £270.0m and Operational Boundary of £252.6m within the Treasury Management Strategy for 2014/15.

3.0 SUPPORTING INFORMATION

Financing the Capital Programme

3.1 On 11th December 2013 the Council approved the final Business Case and Funding Agreement for the Mersey Gateway project. These included the Council's planned contribution towards the construction costs of the Mersey Gateway, in the form of a loan which would be fully repaid from future toll revenues and Department for Transport Availability Support Grant.

3.2 As a result the 2014/15 Budget report approved by Council on 5th March 2014, included a very significant Capital Programme for the Council over the three year period 2014-17.

3.3 The Treasury Management Strategy for 2014/15 approved by Council on 5th March 2014, included levels set for the Authorised Limit (£158m) and Operational Boundary (£147m) which act as the Council's overall borrowing limits. At this time given forecast interest rates, it was anticipated that the Council would phase its borrowing over 2014/15 and 2015/16 in order to fund the Capital Programme. Therefore, the borrowing limits were set accordingly.

3.4 The Authorised Limit represents the level beyond which the Council must not borrow without the agreement of Council. The Operational Boundary is set at a lower level and focuses on day to day Treasury Management activity based

upon the probable maximum level of external debt. This is intended to provide advance warning of any potential breach of the Authorised Limit.

- 3.5 Over recent weeks a number of global and UK political and economic factors have caused long term interest rates to fall to an almost unprecedented low level. This is reflected in the long term borrowing rates available to the Council from the Public Works Loans Board (PWLB).
- 3.6 Following advice from Capita Asset Management Services, the Council's Treasury Management advisors, it is considered that it would now be more cost effective to borrow the significant amounts required to fund the Council's capital programme, in 2014/15 rather than being phased over two years.

Authorised Limit and Operational Boundary

- 3.7 In order to enable this to be achieved, the Council is asked to approve revised levels for the Authorised Limit and Operational Boundary within the 2014/15 Treasury Management Strategy, as follows;

| Authorised Limit | £000 |
|-----------------------------|----------------|
| Borrowing | 250,000 |
| Other long-term liabilities | 20,000 |
| Total | 270,000 |

| Operational Boundary | £000 |
|-----------------------------|----------------|
| Borrowing | 233,100 |
| Other long-term liabilities | 19,500 |
| Total | 252,600 |

- 3.8 The figures shown above include all of the borrowing required to fund the Council's Capital Programme.
- 3.9 It should be highlighted that the cost of any borrowing for the Mersey Gateway project will have no effect on the revenue budget of the Council, as all interest costs and capital repayments will be funded from future toll revenues and Department for Transport Availability Support Grant.

4.0 POLICY IMPLICATIONS

- 4.1 None.

5.0 OTHER IMPLICATIONS

- 5.1 None.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

- 6.1 None

7.0 RISK ANALYSIS

- 7.1 The Council operates its borrowing and investment strategies within the approved code of practice and supporting documents. The aim at all times is to operate in an environment where risk is clearly identified and managed. This strategy sets out clear objectives within these guidelines.

8.0 EQUALITY AND DIVERSITY ISSUES

- 8.1 None.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

None under the meaning of the Act.