24. **Business Rates –** The business rate poundage for 2013/14 has been set at 46.4p in the £. The County Borough's share of national non-domestic rate income in 2013/14 is £41,399,188.

25. **Outcome Agreement Grant –** This grant has been distributed to all local authorities on the basis of current standard spending assessments and this Council's share is £1,304,953.

26. In total the Council will receive general grants from the WG of £180,975,605.

Council Tax

27. After taking account of the general grants and contribution from balances, the balance of net expenditure totalling £49,072,367 remains to be funded by council taxpayers.

28. It is proposed to charge as a special expense part of the cost of footway lighting to the four community areas within the town (£4.39 at band D).

29. After adjusting for special expenses of £70,470 the balance to be found as general expenses from council taxpayers is £49,001,897.

30. The council tax base calculation for 2013/14, is 52,248 band D equivalent properties after allowing for:

    - band reductions for the disabled
    - exempt properties
    - single occupier discounts
    - double discounts on unoccupied properties
    - factors to reflect the relative charge at different bands
    - the estimated collection rate
    - contributions in lieu from Ministry of Defence

    The overall tax base is built up from the same calculations for each of the 34 community areas and the "band D equivalents" are shown on page (viii).

31. Dividing the balance of net expenditure (£49,072,367) by the tax base of 52,248 will give a £939.22 charge to be borne by a full-paying household whose home is valued at band D. For band A property the charge is six ninths of this figure, through to band I properties where the charge is twenty one ninths of the band D figure. In many cases these figures will be adjusted for disabled and other discounts and, of course, for council tax benefit.

32. Page (viii) sets out the council tax rate for the band D taxpayer for each community council area, and shows that when the police authority's precept is included, the total average council tax at band D for 2013/14 is £1,200.55.

Lifelong Learning

BUDGET SUMMARY		CASH LIMITED BUDGET		RECAST
SERVICE	DESCRIPTION	2012/2013	2013/2014	2013/2014

Net Cost by Service

	£	£	£
DELEGATED SCHOOL BUDGETS	73,760,790	75,809,499	75,809,499
TOTAL FOR SCHOOLS	73,760,790	75,809,499	75,809,499
NON DELEGATED SCHOOL BUDGETS	580,890	1,876,918	8,316,387
YOUTH SERVICE	1,311,115	1,469,046	1,650,173
LEARNING & ACHIEVEMENT (0 - 11)	1,012,776	987,562	2,018,616
LEARNING & ACHIEVEMENT (12 - 19)	721,153	620,421	3,655,605
SUPPORTING ACHIEVEMENT	783,060	973,163	1,505,351
SCHOOL EFFECTIVENESS GRANT	352,440	352,440	370,610
TOTAL FOR NON SCHOOLS	4,761,434	6,279,550	17,516,742
TOTAL BUDGET	78,522,224	82,089,049	93,326,241

Analysis by Expenditure and Income

	£	£	£
EXPENDITURE			
EMPLOYEE COSTS	75,347,561	76,869,887	75,320,491
PREMISES COSTS	4,731,450	4,975,651	4,975,651
TRANSPORT COSTS	339,827	377,556	377,556
SUPPLIES & SERVICES	7,669,029	7,921,484	7,921,484
3RD PARTY PAYMENTS	2,475,120	2,862,100	2,862,100
TRANSFER PAYMENTS	73,355	73,355	73,355
SUPPORT SERVICES	7,251,430	7,549,790	15,868,326
CAPITAL FINANCING	120,000	120,000	4,826,858
TOTAL EXPENDITURE	98,007,772	100,749,823	112,225,821
INCOME			
GRANTS & OTHER CONTRIBUTIONS	-13,085,909	-12,259,842	-12,259,842
FEES, CHARGES & OTHER INCOME	-1,288,657	-1,288,657	-1,288,657
RECHARGES	-5,110,982	-5,112,275	-5,351,081
TOTAL INCOME	-19,485,548	-18,660,774	-18,899,580
TOTAL BUDGET	78,522,224	82,089,049	93,326,241

Prevention & Social Care

BUDGET SUMMARY		CASH LIMITED BUDGET		RECAST
SERVICE	DESCRIPTION	2012/2013	2013/2014	2013/2014

Net Cost by Service

	£	£	£
BUSINESS SUPPORT TEAM	138,024	138,693	0
FAMILIES FIRST	30,836	30,836	86,299
PERFORMANCE SUPPORT & DEVELOPMENT	979,454	982,295	927,626
CHILD & FAMILY INCLUSION	649,163	677,451	737,057
YOUTH JUSTICE SERVICE	530,850	530,590	525,577
CHILDREN'S SOCIAL CARE	11,977,237	12,065,528	12,707,296
TOTAL BUDGET	14,305,564	14,425,393	14,983,855

Analysis by Expenditure and Income

	£	£	£
EXPENDITURE			
EMPLOYEE COSTS	7,941,549	7,989,815	7,400,919
PREMISES COSTS	104,703	104,703	104,703
TRANSPORT COSTS	355,201	320,192	320,192
SUPPLIES & SERVICES	1,831,598	1,847,408	1,847,408
3RD PARTY PAYMENTS	4,235,822	4,251,748	4,251,748
TRANSFER PAYMENTS	2,052,063	2,052,063	2,052,063
SUPPORT SERVICES	0	44,000	2,569,606
CAPITAL FINANCING	0	0	43,870
TOTAL EXPENDITURE	16,520,936	16,609,929	18,590,509
INCOME			
GRANTS & OTHER CONTRIBUTIONS	-1,841,108	-1,810,272	-1,810,272
RECHARGES	-374,264	-374,264	-1,796,382
TOTAL INCOME	-2,215,372	-2,184,536	-3,606,654
TOTAL BUDGET	14,305,564	14,425,393	14,983,855

Asset & Economic Development

BUDGET SUMMARY		CASH LIMITED BUDGET		RECAST
SERVICE	DESCRIPTION	2012/2013	2013/2014	2013/2014

Net Cost by Service

	£	£	£
COMMERCIAL ESTATES	-894,319	-895,142	59,681
MARKETS	-110,140	0	323,128
BUSINESS & MARKETING	828,208	832,192	1,096,520
REGENERATION	1,075,927	1,076,382	1,382,467
CULTURE & HERITAGE	898,980	906,938	1,253,142
ASSET MANAGEMENT	1,098,162	1,107,582	73,198
DESIGN SERVICES	291,570	291,094	0
FACILITIES MANAGEMENT	1,095,761	1,022,871	673,643
CATERING SERVICE	-328,486	308,854	571,700
DEPARTMENTAL SUPPORT	311,492	298,952	0
TOTAL BUDGET	4,267,155	4,949,723	5,433,479

Analysis by Expenditure and Income

	£	£	£
EXPENDITURE			
EMPLOYEE COSTS	9,119,771	9,468,445	8,703,659
PREMISES COSTS	2,867,345	2,996,522	2,996,522
TRANSPORT COSTS	114,565	110,025	110,025
SUPPLIES & SERVICES	2,575,365	3,565,725	3,565,725
3RD PARTY PAYMENTS	456,800	450,870	450,870
SUPPORT SERVICES	5,000	20,731	4,001,106
CAPITAL FINANCING	0	0	1,986,156
TOTAL EXPENDITURE	15,138,846	16,612,318	21,814,063
INCOME			
GRANTS & OTHER CONTRIBUTIONS	-4,297,985	-4,830,709	-4,830,709
FEES, CHARGES & OTHER INCOME	-4,754,489	-5,007,869	-5,007,869
RECHARGES	-1,819,217	-1,824,017	-6,542,006
TOTAL INCOME	-10,871,691	-11,662,595	-16,380,584
TOTAL BUDGET	4,267,155	4,949,723	5,433,479

Community Well-Being & Development

BUDGET SUMMARY		CASH LIMITED BUDGET		RECAST
SERVICE	DESCRIPTION	2012/2013	2013/2014	2013/2014

Net Cost by Service

	£	£	£
LIBRARIES & COMMUNITY CENTRES	2,092,185	2,033,771	2,800,145
TWINNING / MEMORIAL HALL	34,661	40,446	62,604
LEISURE DEVELOPMENT	243,677	256,077	437,875
SPORTS FACILITIES	1,181,407	1,209,444	2,483,881
LEISURE MANAGEMENT / SUPPORT	151,930	131,722	0
COMMUNITY COHESION & EQUALITIES	142,063	143,092	271,065
BUILDING CONTROL	-11,434	-22,747	48,653
PLANNING CONTROL	-139,721	-222,473	-44,024
PLANNING POLICY	592,923	595,550	666,353
EMERGENCY PLANNING	143,408	142,227	0
DEPARTMENTAL SUPPORT	370,892	364,781	0
TOTAL BUDGET	4,801,991	4,671,890	6,726,552

Analysis by Expenditure and Income

	£	£	£
EXPENDITURE			
EMPLOYEE COSTS	6,833,127	6,771,862	6,215,210
PREMISES COSTS	1,282,848	1,316,686	1,316,686
TRANSPORT COSTS	100,322	87,879	87,879
SUPPLIES & SERVICES	1,335,870	1,249,736	1,249,736
3RD PARTY PAYMENTS	86,441	82,856	82,856
SUPPORT SERVICES	0	0	2,541,874
CAPITAL FINANCING	173,724	173,724	1,385,894
TOTAL EXPENDITURE	9,812,332	9,682,743	12,880,135
INCOME			
GRANTS & OTHER CONTRIBUTIONS	-1,295,292	-1,299,635	-1,299,635
FEES, CHARGES & OTHER INCOME	-3,715,049	-3,711,218	-3,711,218
RECHARGES	0	0	-1,142,730
TOTAL INCOME	-5,010,341	-5,010,853	-6,153,583
TOTAL BUDGET	4,801,991	4,671,890	6,726,552

Environment

BUDGET SUMMARY		CASH LIMITED BUDGET		RECAST
SERVICE	DESCRIPTION	2012/2013	2013/2014	2013/2014

Net Cost by Service

	£	£	£
CEMETERIES & CREMATORIA	-419,426	-431,021	-320,154
REFUSE COLLECTION	1,008,255	1,026,927	1,336,030
OTHER CLEANSING	1,480,708	1,471,720	1,844,992
WASTE DISPOSAL / RECYCLING	9,857,697	10,427,544	11,866,827
COUNTRYSIDE & P.R.O.W.	649,098	658,296	765,482
PARKS & OPEN SPACES	2,356,547	2,389,968	1,989,438
TRANSPORT DIVISION & DEPOT SERVICES	-662,882	-678,946	-466,729
DEPARTMENTAL SUPPORT	623,441	616,266	0
TRANSPORT CO-ORDINATION & SCHOOL TRANSPORT	4,778,946	4,929,113	1,395,021
ENGINEERING CONSULTANCY	241,657	241,499	1,197,385
CAR PARKS & DECRIMINALISED PARKING	-397,873	-378,446	-358,193
ROAD SAFETY & SCHOOL CROSSING PATROLS	154,936	159,140	167,090
TRAFFIC & TRANSPORTATION PLANNING	493,780	498,546	864,890
HIGHWAYS MAINTENANCE	4,793,748	5,248,359	6,239,942
TOTAL BUDGET	24,958,632	26,178,965	26,522,021

Analysis by Expenditure and Income

	£	£	£
EXPENDITURE			
EMPLOYEE COSTS	10,844,803	10,777,988	9,712,410
PREMISES COSTS	1,592,703	1,682,157	1,682,157
TRANSPORT COSTS	8,954,883	9,221,111	9,221,111
SUPPLIES & SERVICES	1,729,797	2,035,007	2,035,007
3RD PARTY PAYMENTS	18,658,731	19,352,393	19,352,393
SUPPORT SERVICES	0	0	3,768,972
CAPITAL FINANCING	318,797	318,797	3,921,186
TOTAL EXPENDITURE	42,099,714	43,387,453	49,693,236
INCOME			
GRANTS & OTHER CONTRIBUTIONS	-13,929,944	-13,974,551	-13,974,551
FEES, CHARGES & OTHER INCOME	-3,211,138	-3,233,937	-3,233,937
RECHARGES	0	0	-5,962,727
TOTAL INCOME	-17,141,082	-17,208,488	-23,171,215
TOTAL BUDGET	24,958,632	26,178,965	26,522,021

Management of Key Risks

Budget Assumption	Risk	Management
Inflation and interest rates	a) General inflation provision of 2% has been included in the budget. CPI is currently 2.7%. b) Future interest rate movements will impact on the level of investment income.	Through the Council's budget monitoring and control arrangements.
Pay Review	The value of claims as from 1 April 2007 is not finalised.	
Service Savings: a) Renegotiate contract with Clwyd Alyn for the provision of services at Chirk Court b) Lead Funder Review c) Administration Review & Agency savings d) Staff Travel Review	New agreement may not be signed and building works completed by the start of the financial year. Complaints from third sector organisations and tension with the welfare reform agenda. Reduced quality and level of service. Impact on front line services and performance targets. Reduced quality and level of service	Political Agreement and also agreement with Pennaf to be signed as soon as possible in order to realise any savings in 2013/14 Communication plan Through the Council's budget monitoring and control arrangements and by maintaining permanent appointments.
Service Pressures: a) Provision has been made in the budget to cover the welfare reform b) Provision has been made to cover the changes in demand for Adult social care.	Demand for these services may continue to exceed level of funding available. Demand for these services may continue to exceed level of funding available.	Through the Council's budget monitoring and control arrangements Re-prioritise accordingly to users of most critical need
Capital Financing costs	The level of borrowing is based on level and timing of other sources of funding e.g. capital receipts and grants. These may be subject to change.	By member/ officer working group consideration and recommendation to the Board.

Treasury Management Strategy Statement and Investment Strategy

2013/14 to 2015/16

1. Background

1.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require Local Authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators (PIs) on an annual basis. The TMSS also includes the Annual Investment Strategy (AIS) that is a requirement of the Welsh Government's Investment Guidance.

1.2 As per the requirements of the Prudential Code, the Council has adopted the CIPFA Treasury Management Code at a meeting of its Executive Board on 19 March 2002 (DFIS/20/02). The Council has subsequently incorporated the changes from the revised (November 2011) CIPFA Code of Practice into its Treasury Management policies, procedures and practices.

1.3 The purpose of this TMSS is, therefore, to approve:

- Treasury Management Strategy for 2013/14
- Annual Investment Strategy for 2013/14
- Prudential Indicators for 2013/14, 2014/15 and 2015/16
- MRP Statement

1.4 The Council has borrowed and invested substantial sums of money and therefore has potentially large exposures to financial risks including the loss of invested funds and the effect of changing interest rates. The successful identification, monitoring and control of risk is therefore central to the Council's Treasury Management Strategy.

2. Capital Financing Requirement

2.1 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The CFR, together with Usable Reserves, are the core drivers of the Council's Treasury Management activities.

2.2 The Council currently has £144.7m of debt and £46.6m of investments. This is set out in further detail on page 24.

2.3 **Money Borrowed in Advance of Spending Need:** The Council is able to borrow funds in excess of the current level of its CFR up to the projected level in 2015/16. The Council is likely to only borrow in advance of need if it is felt the benefits of borrowing at current interest rates compared to where they are expected to be in the future outweighs the current cost and risks associated with investing the proceeds until the borrowing was actually required.

2.4 The forecast movement in the CFR in coming years is one of the Prudential Indicators (PIs). The movement in actual external debt and usable reserves combines to identify the Council's borrowing requirement and potential investment strategy in the current and future years.

Table 1: Balance Sheet Summary Analysis

	2012/13 Estimate £m	**2013/14 Estimate £m**	**2014/15 Estimate £m**	**2015/16 Estimate £m**
General Fund CFR	142.2	141.7	141.4	138.8
HRA CFR	21.4	19.9	18.4	17.0
Total CFR	**163.6**	**161.6**	**159.8**	**155.8**
Less: Existing Profile of Borrowing	127.2	126.7	126.1	124.4
Less: Other Long Term Liabilities	16.3	15.8	15.3	14.6
Cumulative Maximum External Borrowing Requirement	**20.1**	**19.1**	**18.4**	**16.8**
Usable Reserves	44.9	43.4	40.8	38.3
Cumulative Net Borrowing Requirement/(Investments)	**-24.8**	**-24.3**	**-22.4**	**-21.5**

3. Interest Rate Forecast

3.1 The Council's Treasury Management Advisors, Arlingclose's, interest rate forecast continues its theme of the last few years. That is, that interest rates will remain low for even longer. Indeed, the forecast is for official UK interest rates to remain at 0.5% until 2016 given the moribund outlook for economic growth and the extension of austerity measures announced in the Chancellor's Autumn Statement. Until there is a credible resolution of the problems that stalk the Eurozone – and that resolution requires full-scale fiscal union, which faces many significant political hurdles – then the UK's safe haven status, and minimal prospect of increases in official interest rates will continue to combine and support the theme within the forecast.

3.2 The economic and interest rate forecast provided by Arlingclose is attached on page 33. The Authority will reappraise its strategies from time to time in response to evolving economic, political and financial events.

4. Borrowing Strategy

4.1 Treasury Management, and borrowing strategies in particular, continue to be influenced not only by the absolute level of borrowing rates but also the relationship between short and long term interest rates. This difference creates a “cost of carry” for any new longer term borrowing where the proceeds are temporarily held as investments, because of the difference between what is paid on the borrowing, and what is earned on the investment. The cost of carry is likely to be an issue until 2016 or beyond. As borrowing is often for longer dated periods (anything up to 50 years), the cost of carry needs to be considered against a backdrop of uncertainty and affordability constraints in the Council’s wider financial position.

4.2 As indicated in Table 1, the Council has a gross borrowing requirement of £19.1m in 2013/14, but has sufficient balances and reserves to avoid the need for external borrowing. By essentially lending its own surplus funds to itself, the Council is able to minimise borrowing costs, and reduce overall treasury risk by reducing the level of its external investment balances.

5. Sources of Borrowing and Portfolio Implications

5.1 In conjunction with advice from Arlingclose, the Council will keep under review the following borrowing sources:

- Internal
- PWLB
- Local authorities
- European Investment Bank *(NB the EIB will only lend up to 50% towards the funding of a specific project and needs to meet the EIB’s specific criteria)*
- Leasing
- Structured finance
- Capital markets (stock issues, commercial paper and bills)
- Commercial banks

5.2 Usable Reserves are expected to remain more than sufficient to cover the Gross External Borrowing Requirement over the medium term and therefore in view of the current cost of carry associated with external borrowing, the Council will continue its policy of internal borrowing during this period.

5.3 The Council's exposure to shorter dated and variable rate borrowing is kept under regular review, by reference to the difference, or spread between, variable rate and longer term borrowing costs. A significant narrowing in the spread (e.g. by 0.50%) will result in an immediate and formal review of the borrowing strategy to determine whether the exposure to shorter dated and variable rates is maintained or altered. An increased reliance upon this type of borrowing injects volatility into the debt portfolio, in terms of interest rate risk, but is counterbalanced by its affordability and alignment of borrowing costs with investment returns.

5.4 The Council has £23.8m exposure to LOBO loans (Lender's Option Borrower's Option) of which £19.3m can be "called" within 2013/14. A LOBO is called when the Lender exercises its right to amend the interest rate on the loan, at which point the Borrower can accept the revised terms, or reject them and repay the loan. LOBO loans present a potential refinancing risk to the Authority since the decision to call a LOBO is entirely at the lender's discretion.

5.5 Any LOBOs called will be discussed with Arlingclose prior to acceptance of any revised terms. The default position will be the repayment of the LOBO without penalty, i.e. the revised terms will not be accepted.

6. Debt Rescheduling

6.1 The Council's PWLB debt portfolio can be restructured by prematurely repaying loans and refinancing them on similar or different terms to achieve a reduction in risk and/or savings in interest costs.

6.2 The lower interest rate environment and changes in the rules regarding the premature repayment of PWLB loans has adversely affected the scope to undertake meaningful debt restructuring, although occasional opportunities arise. The rationale for undertaking any debt rescheduling or repayment would be one or more of the following:

- Reduce investment balances and credit exposure via debt repayment
- Align long-term cash flow projections and debt levels
- Savings in risk adjusted interest costs
- Rebalancing the interest rate structure of the debt portfolio
- Changing the maturity profile of the debt portfolio

6.3 Borrowing and rescheduling activity will be reported in the Annual Treasury Management Report and the regular Treasury Management reports presented to the Executive Board.

7. Annual Investment Strategy

7.1 In accordance with Investment Guidance issued by the Welsh Government and best practice, this Council's primary objective in relation to the investment of public funds remains the security of capital. The liquidity or accessibility of the Council's investments is secondary, followed by the yield earned on investments, which is a tertiary consideration.

7.2 The Council and Arlingclose remain on a heightened state of alert for signs of credit or market distress that might adversely affect the Council.

7.3 Investments are categorised as "Specified" or "Non-Specified" within the investment guidance issued by the Welsh Government.

Specified investments are sterling denominated investments with a maximum maturity of one year. They also meet the "high credit quality" as determined by the Council and are not deemed capital expenditure investments under Statute. Non-Specified investments are, effectively, everything else.

7.4 The types of investments that will be used by the Council and whether they are Specified or Non-Specified are as follows:

Table 2: Specified and Non-Specified Investments

Investment	Specified	Non-Specified
Term deposits with banks and building societies	✓	✓
Term deposits with other UK local authorities	✓	✓
Investments with Registered Providers	✓	✓
Certificates of deposit with banks and building societies	✓	✓
Gilts	✓	✓
Treasury Bills (T-Bills)	✓	×
Bonds issued by Multilateral Development Banks	✓	✓

Local Authority Bills	✓	×
Commercial Paper	✓	×
Corporate Bonds	✓	✓
AAA-Rated Money Market Funds	×	✓
Other Money Market and Collective Investment Schemes	✓	✓
Debt Management Account Deposit Facility	✓	×
Investments with other organisations[1]	×	✓

Further details can be found on pages 35 to 37.

7.5 Registered Providers (RPs) have been included within Specified and Non-Specified investments for 2013/14. Investments with RPs will be analysed on an individual basis and discussed with Arlingclose prior to investing.

7.6 Investments with other organisations have been included as a non-specified investment category for 2013-14. This would include investment opportunities with small and medium sized enterprises (SMEs) and other businesses across the UK. Because of the higher perceived credit risk of SMEs, such investments may provide considerably higher rates of return. An external credit assessment will be undertaken and advice from Arlingclose will be sought (where available) before any investment decision is made.

7.7 The minimum credit rating for non-UK sovereigns is AA+ (or equivalent). For specified investments the minimum long term rating for counterparties is A- (or equivalent). As detailed in Non-Specified investments on page 37, the Head of Finance will have discretion to make investments with counterparties that do not meet the specified criteria on advice from Arlingclose.

The other credit characteristics, in addition to credit ratings, that the Council monitors are listed in the Prudential Indicator on Credit Risk (page 31, Section 11).

Any institution will be suspended or removed should any of the factors identified above give rise to concern. Specifically, credit ratings are monitored by the Council on a daily basis. Arlingclose advise on ratings changes and appropriate action to be taken.

[1] *Subject to an external credit assessment and specific advice from Arlingclose.*

The countries and institutions that currently meet the criteria for investments are included on page 35.

It remains the Council's policy to make exceptions to counterparty policy established around credit ratings, but this is conditional and directional. What this means is that an institution that meets criteria may be suspended, but institutions not meeting criteria will not be added.

7.8 **Authority's Banker** – The Council banks with National Westminster Bank Plc. At the current time, it does meet the Council's minimum credit criteria. Even if the credit rating falls below the Council's minimum criteria of A-, it will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

The Council's current banking facilities contract expires on 31 March 2013 and an EU directive prevents National Westminster Bank Plc from tendering for the new contract which will be awarded from 1 April 2013.

8. Investment Strategy

8.1 With short term interest rates low for some time, an investment strategy will typically result in a lengthening of investment periods, where cash flow permits, in order to lock in higher rates of acceptable risk adjusted returns. The problem in the current environment is finding an investment counterparty providing acceptable levels of counterparty risk.

8.2 In order to diversify a portfolio largely invested in cash, investments will be placed with approved counterparties over a range of maturity periods. Maximum investment levels with each counterparty will be set to ensure prudent diversification is achieved.

8.3 Money market funds (MMFs) will be utilised but good Treasury Management practice prevails and whilst MMFs provide good diversification the Authority will also seek to mitigate operational risk by utilising at least two MMFs. The Council will also restrict its exposure to MMFs with lower levels of funds under management and will not exceed 0.5% of the net asset value of the MMF. In the case of Government MMFs, the Council will ensure exposure to each Fund does not exceed 2% of the net asset value of the Fund.

9. Policy on Use of Financial Derivatives

9.1 The Localism Act 2011 includes a general power competence that removes the uncertain legal position over English local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). Although this change does not apply to Wales, the latest CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the annual strategy.

9.2 In the absence of any legislative power, the Council's policy is not to enter into standalone financial derivatives transactions such as swaps, forwards, futures or options. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall risk management strategy.

10. 2013/14 MRP Statement

10.1 The Council is required to set an annual policy on the way it calculates the prudent provision for the repayment of borrowing (MRP). This year's policy can be found on page 39 of this report.

11. Monitoring and Reporting on the Treasury Outturn and Prudential Indicators

11.1 The Head of Finance will report to the Executive Board on Treasury Management activity/performance and Prudential Indicators as follows:

- Twice, in October and January, against the strategy approved for the year. The Council will produce an outturn report on its Treasury Management activity no later than 30th September after the financial year end.
- The Customers, Performance and Resources (Organisation) Scrutiny Committee will be responsible for the scrutiny of Treasury Management activity and practices.

12. Other Items

12.1 Training

CIPFA's Code of Practice requires the Head of Finance to ensure that all members tasked with Treasury Management responsibilities, including scrutiny of the Treasury Management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

12.2 Treasury Management Advisors

The Council currently uses Arlingclose as Treasury Management Advisors and receives the following services:

- Credit advice
- Investment advice
- Technical advice
- Economic & interest rate forecasts
- Workshops and training events
- HRA support

The Council maintains the quality of the service with Arlingclose by holding quarterly meetings and tendering periodically.

12.3 Housing Revenue Account Subsidy Reform

The Welsh Government is in negotiations with HM Treasury regarding the reform of the HRA subsidy system in Wales. Details of the precise mechanism & timing are not available at this stage. The Council will monitor developments in this area as further details become available.

Existing Investment & Debt Portfolio Position (Section 2.2)

	31/01/2013 Actual Portfolio £m	31/01/2013 Average Rate %
External Borrowing:		
PWLB – Fixed Rate	102.6	6.1
PWLB – Variable Rate	0.0	0.0
Local Authorities	0.0	0.0
LOBO Loans	23.8	4.7
Interest Free Loans	0.8	0.0
Total External Borrowing	127.2	5.8
Other Long Term Liabilities: *Figures as at 31/03/2012* [2]		
PFI	15.2	8.9
Finance Leases	2.3	7.9
Total Gross External Debt	**144.7**	**6.1**
Investments:		
Managed in-house		
Short-term Investments (Deposits/Monies on Call/Money Market Funds)	46.6	0.9
Long-term Investments	0.0	0.0
Managed externally		
Fund Managers	0.0	0.0
Pooled Funds	0.0	0.0
Total Investments	46.6	0.9
Net Debt	**98.1**	

[2] *Figures for PFI and Finance Leases are shown as at 31 March 2012 due to the practicalities of disclosing their values mid-year.*

Prudential Indicators 2013/14 – 2015/16

1. Background:

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

2. Gross Debt and the Capital Financing Requirement:

This is a key indicator of prudence. In order to ensure that, over the medium term debt will only be for a capital purpose, the Local Authority should ensure that debt does not, except in the short term, exceed the total of the Capital Financing Requirement in the preceding year plus the estimates of any additional Capital Financing Requirement for the current and next two financial years.

If in any of these years there is a reduction in the Capital Financing Requirement, this reduction is ignored in estimating the cumulative increase in the Capital Financing Requirement which is used for comparison with **Gross** External Debt.

The Head of Finance reports that the Council had no difficulty meeting this requirement in 2012/13, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

3. Estimates of Capital Expenditure:

3.1 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 Revised £m**	**2013/14 Estimate £m**	**2014/15 Estimate £m**	**2015/16 Estimate £m**
Non-HRA	32.6	32.0	19.1	17.6	8.2
HRA	15.4	15.4	15.0	15.0	15.0
Total	**48.0**	**47.4**	**34.1**	**32.6**	**23.2**

3.2 Capital expenditure will be financed or funded as follows:

Capital Financing	2012/13 Approved £m	2012/13 Revised £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
Capital Receipts	6.9	6.6	6.3	4.6	0.9
Government Grants	16.0	15.8	6.7	7.3	3.9
Major Repairs Allowance	7.5	7.5	7.5	7.5	7.5
Revenue Contributions	6.9	7.1	7.6	7.6	7.5
Capital Reserve	1.4	1.1	0.3	0.0	0.0
Total Financing	**38.7**	**38.1**	**28.4**	**27.0**	**19.8**
Supported Borrowing	4.1	4.1	3.5	3.4	3.4
Unsupported Borrowing	3.1	3.1	0.0	0.0	0.0
Local Government Borrowing Initiative	2.1	2.1	2.2	2.2	0.0
Total Funding	**9.3**	**9.3**	**5.7**	**5.6**	**3.4**
Total Financing and Funding	**48.0**	**47.4**	**34.1**	**32.6**	**23.2**

Table 1 (Section 2.4) shows that the capital expenditure plans of the Council can be funded entirely from sources other than external borrowing.

4. Ratio of Financing Costs to Net Revenue Stream:

4.1 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 definition of financing costs is set out in the Prudential Code.

4.2 The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2012/13 Approved %	2012/13 Revised %	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %
Non-HRA	5.15	5.14	4.84	4.79	4.78
HRA	3.78	3.75	3.34	3.06	2.71

5. Capital Financing Requirement:

5.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and financing.

Capital Financing Requirement	2012/13 Approved £m	2012/13 Revised £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
Non-HRA	139.5	142.2	141.7	141.4	138.8
HRA	20.1	21.4	19.9	18.4	17.0
Total CFR	**159.6**	**163.6**	**161.6**	**159.8**	**155.8**

6. Incremental Impact of Capital Investment Decisions:

6.1 This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved Capital Programme with an equivalent calculation of the revenue budget requirement arising from the proposed Capital Programme.

Incremental Impact of Capital Investment Decisions	2012/13 Approved £	2012/13 Revised £	2013/14 Estimate £	2014/15 Estimate £	2015/16 Estimate £
Increase in Band D Council Tax	35.02	37.91	37.74	33.10	30.81
Increase in Average Weekly Housing Rents	0	0.31	0.36	0.34	0.33

6.2 The increases in both Band D Council Tax and Average Weekly Housing Rents reflect the increases in the provision of the Capital Financing Charges relating to borrowing arising from the proposed Capital Programme.

7. Authorised Limit and Operational Boundary for External Debt:

7.1 The Council has an integrated Treasury Management Strategy and manages its Treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.

7.2 The **Authorised Limit** sets the maximum level of external debt on a gross basis (i.e. excluding investments) for the Council. It is measured on a daily basis against all external debt items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved Treasury Management Policy Statement and practices.

7.3 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

7.4 The Operational Boundary has been set on the estimate of the most likely, i.e. prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

7.5 The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

	2012/13 Approved £m	2012/13 Revised £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
Authorised Limit for Borrowing	189.4	189.9	188.9	188.3	187.9
Authorised Limit for Other Long-term Liabilities	15.6	16.3	15.8	15.3	14.6
Authorised Limit for External Debt	**205.0**	**206.2**	**204.7**	**203.6**	**202.5**
Operational Boundary for Borrowing	179.4	179.9	178.9	178.3	177.9
Operational Boundary for Other Long-term Liabilities	15.6	16.3	15.8	15.3	14.6
Operational Boundary for External Debt	**195.0**	**196.2**	**194.7**	**193.6**	**192.5**

8. Adoption of the CIPFA Treasury Management Code:

8.1 This indicator demonstrates that the Council has adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management
The Executive Board approved the adoption of the CIPFA Treasury Management Code on 19 March 2002 (DFIS/20/02).

The Council has incorporated the changes from the revised (November 2011) CIPFA Code of Practice into its Treasury Management policies, procedures and practices.

9. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

9.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on net interest paid (i.e. interest paid on fixed rate debt net of interest received on fixed rate investments).

9.2 The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

Interest Rate Exposures	Existing Level (or Benchmark Level) at 31/03/12 %	2011/12 Approved %	2011/12 Revised %	2012/13 Estimate %	2013/14 Estimate %	2014/15 Estimate %
Fixed						
Upper Limit for Fixed Interest Rate Exposure on Debt	100.0	100.0	100.0	100.0	100.0	100.0
Upper Limit for Fixed Interest Rate Exposure on Investments	-100.0	-100.0	-100.0	-100.0	-100.0	-100.0
Net Fixed Exposure	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Variable						
Upper Limit for Variable Interest Rate Exposure on Debt	30.0	30.0	30.0	30.0	30.0	30.0
Upper Limit for Variable Interest Rate Exposure on Investments	-100.0	-100.0	-100.0	-100.0	-100.0	-100.0
Net Variable Exposure	**-70.0**	**-70.0**	**-70.0**	**-70.0**	**-70.0**	**-70.0**

9.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council’s Treasury Management Strategy.

10. Maturity Structure of Fixed Rate borrowing:

10.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

10.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

10.3 LOBOs are classified as maturing on the next call date i.e. the earliest date that the lender can require repayment.

Maturity Structure of Fixed Rate Borrowing	**Existing Level (or Benchmark Level) at 31/03/12 %**	**Lower Limit for 2013/14 %**	**Upper Limit for 2013/14 %**
Under 12 months	11.5	0	20
12 months and within 24 months	4.4	0	20
24 months and within 5 years	6.0	0	20
5 years and within 10 years	4.5	0	80
10 years and within 20 years	12.0	0	80
20 years and within 30 years	6.0	0	80
30 years and within 40 years	28.0	0	80
40 years and within 50 years	27.6	0	80
50 years and above	0.0	0	90
Total	100.0		

11. Credit Risk:

11.1 The Council considers security, liquidity and yield, in that order, when making investment decisions.

11.2 Credit ratings remain an important element of assessing credit risk, but they are not the sole feature in the Council's assessment of counterparty credit risk.

11.3 The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

11.4 The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

12. Upper Limit for Total Principal Sums Invested Over 364 Days:

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

	2012/13 Approved £m	2012/13 Revised £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
Upper Limit for Total Principal Sums Invested Over 364 Days	10.0	10.0	10.0	10.0	10.0

Economic & Interest Rate Forecast (Sections 3.2 & 4.1)

	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Official Bank Rate													
Upside risk			0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk		-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
3-month LIBID													
Upside risk	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	0.75
Central case	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.50	0.55	0.55	0.55	0.60	0.60
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
1-yr LIBID													
Upside risk	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	0.75
Central case	0.85	0.90	0.95	0.95	1.00	1.00	1.00	1.00	1.10	1.10	1.10	1.10	1.10
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
5-yr gilt													
Upside risk	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
Central case	0.95	0.95	0.95	0.95	1.00	1.00	1.00	1.00	1.10	1.10	1.10	1.20	1.20
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
10-yr gilt													
Upside risk	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00
Central case	2.00	2.00	2.05	2.05	2.05	2.05	2.10	2.10	2.10	2.20	2.20	2.20	2.20
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
20-yr gilt													
Upside risk	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
Central case	2.90	2.90	2.90	2.90	3.00	3.00	3.00	3.00	3.10	3.10	3.10	3.10	3.10
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
50-yr gilt													
Upside risk	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00
Central case	3.35	3.35	3.35	3.40	3.40	3.40	3.50	3.50	3.50	3.50	3.60	3.60	3.60
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25

Underlying Assumptions:

- UK growth is unlikely to return to above trend for the foreseeable future. Q3 GDP was strong at 0.9% but this momentum is unlikely to be sustained in Q4 or in 2013. The rebalancing from public-sector driven consumption to private sector demand and investment is yet to manifest, and there is little sign of productivity growth. Further contraction in the Eurozone, including Germany's powerful economy, and slower forecast growth in the emerging economies (Brazil/Mexico/India) are exacerbating the weakness.
- Consumer Price Inflation has fallen to 2.7 % from a peak of 5.2%. Near term CPI is likely to be affected by volatility in commodity prices and its decrease towards the 2% target is expected to be slower than previously estimated. Real wage growth (i.e. after inflation) is forecast to remain weak.
- The fiscal outlook for bringing down the structural deficit and stabilise debt levels remains very challenging. Weakened credibility of the UK reining its levels of debt poses a risk to the AAA status, but recent history (US, France) suggests this may not automatically result in a sell-off in gilts.
- In the absence of large, unexpected decline in growth, QE is likely to remain on hold at £375bn for now. The availability of cheaper bank borrowing and subsequently for corporates through the Funding for Lending Scheme (FLS) is a supporting factor.
- The US Federal Reserve's shift in its rate guidance from a date-based indication to economic thresholds (6.5% unemployment, inflation 1 – 2 years out projected to remain below 2.5%, longer term inflation expectations remain well anchored) is likely to increase market uncertainty around the highly volatile US employment data releases.

- The Eurozone is making slow headway which has curtailed some of the immediate risks although peripheral countries continue to struggle. Fully-fledged banking and fiscal union is still some years away.
- In the US, the issues of spending cuts, reducing the budget deficit and raising the country's debt ceiling remain unresolved. A failure to address these by March 2013 could lead to a similar showdown and risks a downgrade to the US sovereign credit rating by one or more agencies.
- A reversal in market risk sentiment from current "risk on" to "risk off" could be triggered by economic and/or political events – impending Italian and German elections, US debt ceiling impasse, difficulty surrounding Cyprus' bailout, and contagion returning haunt the European peripheral nations – could inject renewed volatility into gilts and sovereign bonds.

Current Recommended Sovereign and Counterparty List (Section 7)

Country/ Domicile	Counterparty	Maximum Counterparty Limit [3] %/£m	Maximum Group Limit (if applicable) %/£m	Maximum Maturity Limit (Term Deposits and Instruments Without a Secondary Market) [4]	Maximum Maturity Limit (Negotiable Instrument) [5]
UK	Santander UK Plc (Banco Santander Group)	15% / £10m	N/A	2 years	5 years
UK	Bank of Scotland (Lloyds Banking Group)	15% / £10m	22.5% / £15m	2 years	5 years
UK	Lloyds TSB (Lloyds Banking Group)	15% / £10m		2 years	5 years
UK	Barclays Bank Plc	15% / £10m	N/A	2 years	5 years
UK	HSBC Bank Plc	15% / £10m	N/A	2 years	5 years
UK	Nationwide Building Society	15% / £10m	N/A	2 years	5 years
UK	NatWest (RBS Group)	15% / £10m	22.5% / £15m	2 years	5 years
UK	Royal Bank of Scotland (RBS Group)	15% / £10m		2 years	5 years
UK	Standard Chartered Bank	15% / £10m	N/A	2 years	5 years
Australia	Australia and NZ Banking Group	15% / £10m	N/A	2 years	5 years
Australia	Commonwealth Bank of Australia	15% / £10m	N/A	2 years	5 years
Australia	National Australia Bank Ltd (National Australia Bank Group)	15% / £10m	N/A	2 years	5 years

[3] *The maximum counterparty limit percentages are included as a guide only and not as strict limits which must not be exceeded. Whilst every effort will be made to ensure that the Council operates within these percentages, it may be the case that on occasion they are exceeded due to practical difficulties.*

[4] *2 years is the maximum approved duration for term deposits and illiquid investments (those without a secondary market), although in practice the Council may be investing on a shorter term basis depending on operational advice from Arlingclose.*

[5] *5 years is the maximum approved duration for negotiable instruments such as Certificates of Deposits, Medium Term Notes and Corporate Bonds, although in practice the Council may be investing for shorter periods depending on operational advice from Arlingclose.*

Australia	Westpac Banking Corp	15% / £10m	N/A	2 years	5 years
Canada	Bank of Montreal	15% / £10m	N/A	2 years	5 years
Canada	Bank of Nova Scotia	15% / £10m	N/A	2 years	5 years
Canada	Canadian Imperial Bank of Commerce	15% / £10m	N/A	2 years	5 years
Canada	Royal Bank of Canada	15% / £10m	N/A	2 years	5 years
Canada	Toronto-Dominion Bank	15% / £10m	N/A	2 years	5 years
Finland	Nordea Bank Finland	15% / £10m	N/A	2 years	5 years
Finland	Pohjola	15% / £10m	N/A	2 years	5 years
France	BNP Paribas	15% / £10m	N/A	2 years	5 years
France	Credit Agricole CIB (Credit Agricole Group)	15% / £10m	22.5% / £15m	2 years	5 years
France	Credit Agricole SA (Credit Agricole Group)			2 years	5 years
France	Société Générale	15% / £10m	N/A	2 years	5 years
Germany	Deutsche Bank AG	15% / £10m	N/A	2 years	5 years
Netherlands	ING Bank NV	15% / £10m	N/A	2 years	5 years
Netherlands	Rabobank	15% / £10m	N/A	2 years	5 years
Netherlands	Bank Nederlandse Gemeenten	15% / £10m	N/A	2 years	5 years
Singapore	DBC Bank Ltd	15% / £10m	N/A	2 years	5 years
Singapore	Oversea-Chinese Banking Corporation (OCBC)	15% / £10m	N/A	2 years	5 years
Singapore	United Overseas Bank (UOB)	15% / £10m	N/A	2 years	5 years
Sweden	Svenska Handelsbanken	15% / £10m	N/A	2 years	5 years
Switzerland	Credit Suisse	15% / £10m	N/A	2 years	5 years
US	JP Morgan	15% / £10m	N/A	2 years	5 years

** Please note this list could change if, for example, a counterparty/country is upgraded, and meets our other creditworthiness tools or a new suitable counterparty comes into the market. Alternatively, if a counterparty is downgraded, this list may be shortened.*

Group Limits - For institutions within a banking group, the authority executes a limit of 1.5 times the individual limit of a single bank within that group.

Non-Specified Investments

Instrument	Maximum Maturity	Max %/£M of portfolio	Capital Expenditure?	*Examples*
Term deposits with banks and building societies which meet the specified investment criteria (on advice from Arlingclose)	2 Years	50% in Aggregate	No	
Term deposits with Local Authorities	2 Years		No	
CDs and other negotiable instruments with banks and building societies which meet the specified investment criteria (on advice from Arlingclose)	5 Years		No	
Investments with banks and building societies which **do not meet** the specified investment criteria (on advice from Arlingclose and authority from S151 Officer)	3 Months		No	
Investments with organisations which **do not meet** the specified investment criteria (subject to an external credit assessment and specific advice from Arlingclose)	3 Months	£5m per Counterparty	No	*Banks falling below criteria specified e.g. Co-op*
	1 Year	£1m per Counterparty	No	
	5 Years	£100k per Counterparty	Yes/No[6]	*Small & Medium Enterprises*
		Subject to a Maximum of £20m Overall		
Deposits with registered providers	On advice from Arlingclose		No	*Housing Associations*

[6] *Depending on the nature of the transaction with the third party.*

Gilts	10 Years	50%	No	
Bonds issued by multilateral development banks	10 Years	50%	No	*EIB Bonds, Council of Europe Bonds etc.*
Sterling denominated bonds by non-UK sovereign governments	10 Years	50%	No	
Money Market Funds and Collective Investment Schemes	These funds do not have a defined maturity date	50%	Yes	*Ignis Sterling Liquidity Fund, Federated Prime Rate Sterling Liquidity Fund, RBS Global Treasury Funds etc.* *Investec Target Return Fund; Elite Charteris Premium Income Fund; LAMIT; M&G Global Dividend Growth Fund*
Corporate and debt instruments issued by corporate bodies purchased from 01/04/12 onwards	10 Years	50%	No	

MRP Statement 2013/14

The Welsh Government's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on Local Authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Welsh Ministers and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

NB This does not preclude other prudent methods.

MRP in 2013/14: Options 1 and 2 may be used only for supported (i.e. financing costs deemed to be supported through Revenue Support Grant from the Welsh Government) Non-HRA capital expenditure funded from borrowing. Methods of making prudent provision for unsupported Non-HRA capital expenditure include Options 3 and 4 (which may also be used for supported Non-HRA capital expenditure if the Council chooses).

The Council will apply Option 2 in respect of supported Non-HRA capital expenditure funded from borrowing and Option 3 in respect of unsupported Non-HRA capital expenditure funded from borrowing.

MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

MRP on Housing assets is made in accordance with the General Determination of the Item 8 Credit and Item 8 Debit.

The MRP Statement will be submitted to Council before the start of the 2013/14 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.