

City Executive Board – 11 February 2016

Treasury Management Strategy, Annual Report and Performance 2016/17

Suggested City Executive Board response to Finance Panel recommendation provided by the Board Member for Finance:

<i>Recommendation</i>	<i>Agreed? (Y / N / In part)</i>	<i>Comment</i>
<p>1. That clarity should be provided as to whether the Council's 'real asset lettings' homelessness property investments should be included on its asset register and how a provision would be made in the event that the value of these 'assets' was to fall.</p>	<p>Yes</p>	<p>The Council will make an investment of £5million and in exchange will receive a number of units in the Fund. The investment will constitute capital expenditure in accounting terms to be financed by Prudential Borrowing. Although the Council's investment is guaranteed against the houses purchased the houses themselves are not owned by the council and therefore do not appear on the local authority balance sheet. The Section 151 Officer considers that it is prudent not to make a Minimum Revenue Provision (MRP) charge for repayment of the debt against its revenue account as the debt would be due for repayment with the closure of the Fund after the initial period and the proceeds used to repay the investment. The Assets will be valued on an annual basis and the value reflected in the price of the units in the fund. Any fall or increase in the value of the assets and hence the value of the units would be held in an unusable reserve on the balance sheet until the investment matures at which point the loss or surplus is realised. Should the value of the asset reduce over time then the Council will need to consider making a Minimum Revenue Provision since the amount received on maturity of the investment may be insufficient to repay the amount.</p>
<p>2. That the Council should continue to maintain a watching brief on the progress of the Municipal Bonds Agency (Local Capital Financing Company), as well as other relevant financial borrowing instruments.</p>	<p>Yes</p>	<p>Agreed. The council will maintain a watching and will consider the Municipal Bond Agency alongside other financial institutions when it has a need to borrow to finance capital expenditure</p>

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