Agenda item

Audit Committee – 21 June 2010

Annual Treasury Management Report 2009/10

1. Summary of report

1.1. This report sets out the treasury management annual report for 2009/10 as required by the CIPFA Code of Practice, and the council's review of treasury management activity 2009/10 (**Appendix A**).

1.2. In 2009/10 there was no increase in Walsall council's long term borrowing and investments increased by £21.9m. The average rate for borrowing during 2009/10 was 4.64% (4.85% including other local authority debt). This was lower than the average rate for the IPF benchmarking group (i.e. 5.35%). This demonstrates that Walsall's treasury management function continues to provide excellent value for money. Investment performance improved relative to other councils and additional investment income was recouped.

2. Recommendations

2.1. Audit Committee note the 2009/10 treasury management activities and performance statistics in **Appendix A** and the reporting of Walsall's prudential indicators as at 31.03.10 contained in **Appendix B**.

James T Walsh – Chief Financial Officer
11 June 2010

Rory Borealis – Executive Director (Resources)
11 June 2010

3. Background information

3.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2009 was adopted by Council on 22 February 2010 and the council fully complies with its requirements.

3.2 The primary requirements of the Code are as follows:

1) The creation and maintenance of a treasury management policy statement which sets out the policies and objectives of the council's treasury management activities.

2) The creation and maintenance of treasury management practices which set out the manner in which the council will seek to achieve those policies and objectives.

3) Receipt by the full Council of an annual treasury management strategy report (including the annual investment strategy report) for the year ahead, a midyear review report (as a minimum) and an annual review report of the previous year.

4) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

5) Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body which in this council is the Audit Committee. Treasury management in this context is defined 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. "

3.3 The purpose of this report is to meet one of the above requirements of the CIPFA Code, namely the annual review report of treasury management activities, for the financial year 2009/10.

3.4 The annual treasury management report is detailed in **Appendix A** and covers:

- The treasury management strategy
- Economic review, operational treasury management and interest rates
- Review of 2009/10 activities
- Borrowing and investments
- Comparisons with other councils
- Compliance with treasury limits
- Prudential and local indicator performance

3.5 To ensure that Walsall's treasury management activities are affordable, prudent and sustainable, prudential indicators are maintained and reviewed during the year. Details of these indicators are contained within **Appendix B**. A set of local indicators are also maintained to provide additional assurance.

4. Resource and Legal considerations

4.1 Financial

The treasury management policy statement is a key document for the operation, review and performance assessment of treasury management and is reviewed annually. It forms part of the council's financial framework and supports delivery of the medium term financial strategy.

4.2 Legal

The council is required to have regard to the Prudential Code under the duties outlined by the Local Government Act 2003. One requirement of the Prudential Code is that the council should comply with the CIPFA Code of Practice for Treasury Management. The council adopted the original treasury management code in 1992 and further revised Code in 2002 and 2010.

5. Risk and performance management issues

5.1 Risk

Treasury management activity takes place within a robust risk management environment, which enables the council to effectively maximise investment income and minimise interest payments without undue or inappropriate exposure to financial risk.

5.2 Performance

The treasury management function participates in a local and national benchmarking group which compares Walsall council's treasury management performance with those of other councils. Performance is regularly reviewed by the treasury management panel

All of the Prudential indicators (PrIs) as at 31.03.10 were complied with. Not all Local Indicators (L) were achieved. L2 has not yet been achieved as the environment has not been appropriate for new or rescheduling borrowing. L8 and L9 were not fully achieved because the targets were set in January 2009 when the outlook was for interest rates to rise later in the year. L10 was not achieved due to three occasions when monies were not returned to the council on the due date. The council has been compensated for these instances.

6. Equality implications

6.1 None directly relating to this report.

7. Consultation

7.1 The report has been approved by the finance treasury management panel, an internal governance arrangement comprising the CFO, Deputy CFO and Corporate Financial Systems and Treasury Manager.

8.0 Background papers

Various financial working papers
Annual Treasury Management and Investment Strategy - Prudential Indicators 2009/10 Onwards – Cabinet 4.02.09
Corporate Revenue Budget 2010/11 to 2011/12 - Cabinet 13.01.10

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Review of Treasury Management activity for 2009/10

1 Background – The Treasury Management Strategy for 2009/10

1.1 Councils are required by regulation to have regard to the Prudential Code. The Code requires councils to comply with the CIPFA Code of Practice for Treasury Management. The council adopted the original Code in 1992, the revised Code in 2002 and a further revised code in 2010. This Code recommends that the council present an annual report to members covering the previous year's activity.

1.2 The authority's current treasury management and investment strategy for 2009/10 approved by Cabinet on 3 February 2010 contains the following objectives:

Key objectives for borrowing

Our borrowing objectives are:

- To minimise the revenue costs of debt whilst maintaining a balanced loan portfolio
- To manage the council's debt maturity profile, ensuring no single future year has a disproportionate level of repayments
- To maintain a view on current and possible future interest rate movements and borrow accordingly
- To monitor and review the balance between fixed and variable rate loans against the background of interest rate levels and prudential indicators.

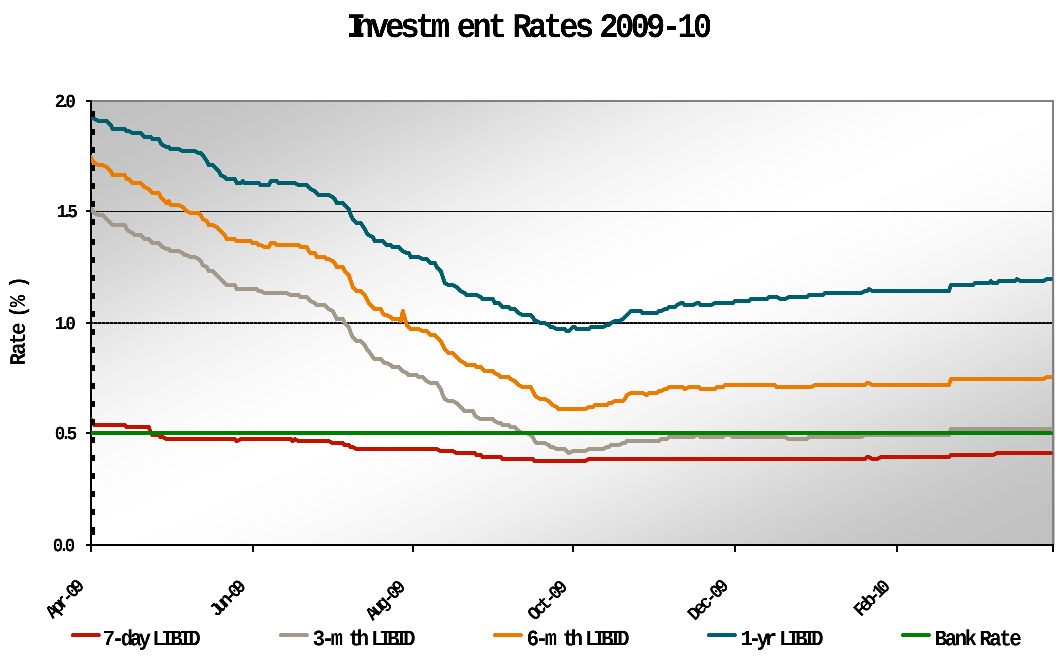
Key objectives for investment

- The general policy objective for this council is the prudent investment of its treasury balances
- The council's investment priorities are:
  - The security of capital and
  - Liquidity of its investments
- All investments will be in sterling
- The council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

2 Economic Review, Operational TM Strategy and Interest Rates

A review of treasury management activities should be undertaken with an understanding of the economic climate for the year. The following graph **(Diagram 1)** shows the dominant economic feature of 2009/10 being the low investment return environment.

Diagram 1



It shows how the various investment rates dropped during the first half of the year and then interest rates remaining low. It was expected that the Bank Rate would stay at 0.5% throughout 2009/10 before starting to rise in the second quarter of 2010. It was acknowledged that there was a risk to this forecast that if the recession proved even deeper and longer than expected at that time, then the first rise in Bank Rate would be delayed.

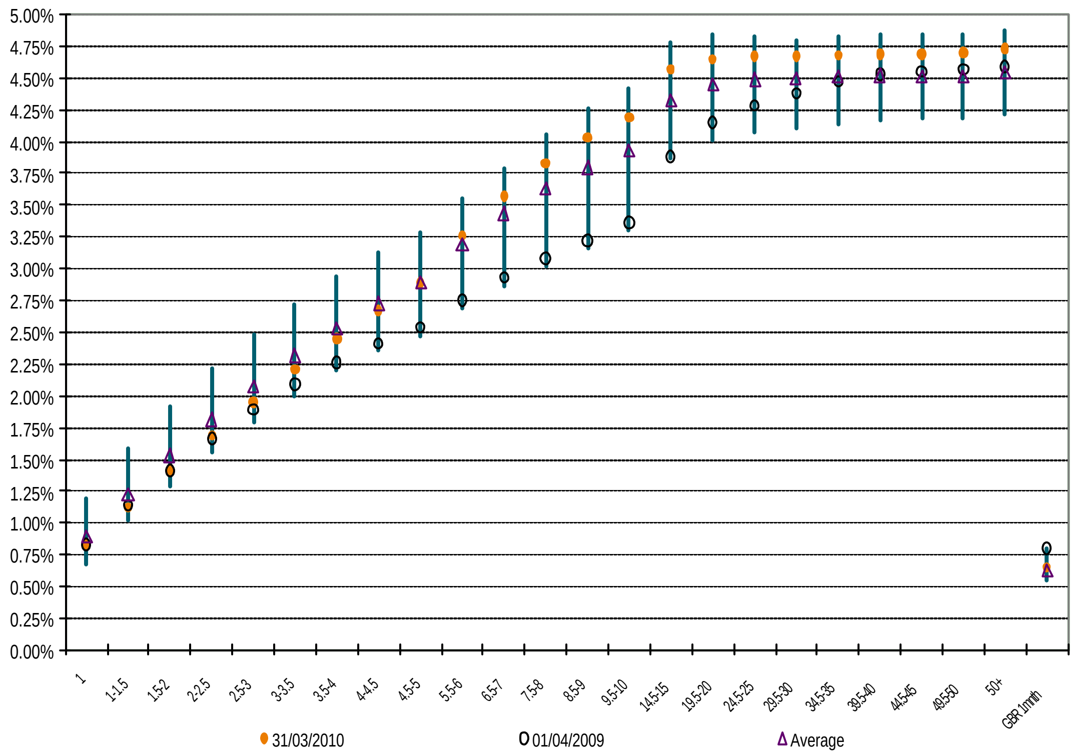
The adopted treasury strategy based upon the above forecast was that, in order to balance the impact of the loss in investment income, there should be a reduction in borrowing. As such, savings could be achieved by running down investment balances instead of taking new borrowing in order to finance new capital expenditure or to replace debt maturing during the year. As this strategy continues into 2010/11 the council needs to be mindful of both interest rate risk and refinancing risk moving forward. If interest rates start to rise quickly there is a risk that borrowing costs may start to rise throughout 2010/11. This could happen if concerns regarding sovereign debt levels and the re-emergence of inflationary pressures increase. The treasury finance team is continuing to proactively monitor this position in association with its treasury management advisors.

The planned running down of investment balances during the year would also reduce exposure to counterparty and interest rate risk on the investment portfolio. However the investment balances have not fallen; primarily because of the significant slippage in the capital programme. This higher than expected balance available for investment has helped counter the low interest rate environment. As a result, the investment part of the capital financing budget achieved a higher return than originally forecast.

The Treasury Manager will continue to examine the potential for making premature debt repayments in order to reduce investment balances more quickly. However, the level of premiums that would have been incurred and the increase in risk exposure to significantly higher interest rates for new borrowing made this option unattractive in 2009/10. In 2010/11 the Public Works Loan Board (PWLB) through which the council undertakes most of its borrowing has reduced the difference between new borrowing and repayment rates such that it may be more attractive to do so.

Diagram 2 below shows PWLB borrowing rates for a selection of maturity periods, the range (high and low points) in rates, the average rates and individual rates at the start and the end of the financial year. It shows that the variations in most PWLB rates in 2009/10 year have been within a fairly limited band compared to previous years.

Diagram 2 Movement in PWLB rates 2009-10



Investments returns available remain low. **Table 1** below shows the reductions in rates available.

Table 1 Comparison of available rates

	31st March 08	15th Jan 09	8th Oct 09	8th Jan 10	24th May 10
On Call	5.55 - 5.45	1.50 - 1.20	0.50 - 0.45	0.40 – 0.25	0.55 – 0.50
1 Week	5.55 - 5.45	1.60 - 1.25	0.60 - 0.45	0.55 – 0.45	0.60 – 0.50
2 Week	5.65 - 5.55	1.75 - 1.25	0.70 - 0.50	0.70 – 0.45	0.60 – 0.50
1 Month	5.78 - 5.72	1.80 - 1.60	0.60 - 0.45	0.60 – 0.45	0.65 – 0.50
2 Month	5.87 - 5.77	2.15 - 1.85	0.65 - 0.45	0.65 – 0.45	0.70 - 0.55
3 Month	6.02 - 5.95	2.35 - 2.05	0.70 - 0.50	0.70 – 0.50	0.75 – 0.60
4 Month	6.00 - 5.93	2.40 - 2.10	0.80 - 0.60	0.80 – 0.60	0.80 – 0.65
5 Month	6.00 - 5.93	2.45 - 2.15	0.90 - 0.70	0.90 – 0.70	0.90 – 0.75
6 Month	6.00 - 5.93	2.50 - 2.20	0.95 - 0.75	0.95 – 0.75	1.00 – 0.85
9 Month	5.89 - 5.79	2.60 - 2.20	1.10 - 0.90	1.10 – 1.25	1.20 -1.00
12 Month	5.84 - 5.74	2.65 - 2.25	1.40 - 1.20	1.40 – 1.25	1.45 – 1.30

3 Review of 2009/10 activities

3.1 **Table 2** shows borrowing and investments administered as at 31 March 2009 and 31 March 2010.

Table 2: Borrowing and investment 2009/10

	Borrowing £ m	Investments £ m	Net Borrowing £ m
31 March 2009	262.911	(76.484)	186.427
31 March 2010	262.259	(98.403)	163.856
Change in year	(0.692)	(21.919)	(22.571)

Table 3 below shows a net pre-audit under spend of £0.047m in capital financing for 2009/10. It was a challenging year for the area due to the low investment return environment, there was also the pressure of the fall out of the commutation grant and discounts which was managed in part by an update to the Minimum Revenue Provision Policy. Although the overspend in this area was £0.549m this was compensated by under spends in the treasury management area such that no call was needed on the Commutation Reserve.

Table 3 Capital Financing draft outturn 2009/10

Activity	2009/10 Approved Cash Limit £m	Outturn at 31 March 2010 £m	Variation (under) / over spend £m
Borrowing Costs	11.010	10.861	(0.149)
Debt Repayment, Premiums and Discounts	11.809	12.318	0.509
Investments returns	(2.523)	(2.765)	(0.242)
Investment allocations	0.869	0.509	(0.36)
Birmingham Airport	(0.326)	(0.176)	0.150
Other Capital Financing e.g. Other Local Authority Debt, Banking and Mortgages	2.142	2.187	0.045
Total	22.981	22.934	(0.047)

3.2 Borrowing

Table 4 below shows how Walsall's borrowing decreased by £0.7m during 2009/10. **Table 5** shows the outturn on the revenue cost of borrowing. The main area for the £0.148m under spend is the treatment of deferred interest payments on market loans.

Table 4: Changes in Borrowings 2009/10

	Opening Balance £ m	Ave. Rate	Movement in Year £ m	Closing Balance £ m	Ave. Rate
PWLB	113.324	4.66%	0.043	113.367	4.66%
Market Loans	122.000	4.61%	-	122.00	4.67%
Bonds	0.152	4.77%	(0.024)	0.128	4.33%
Temporary Loans	0.181	4.74%	0.001	0.182	0.92%
Total excluding OLA debt	**235.657**	**4.64%**	**0.020**	**235.677**	**4.63%**
Other L A Debt	27.254	6.70%	(0.672)	26.582	6.70%
Total including OLA debt	**262.911**	**4.85%**	**(0.652)**	**262.259**	**4.85%**

Table 5: **Borrowing Outturn 2009/10**

	2009/10 Approved Cash Limit £m	Outturn at 31 March 2010 £m	Saving cash limit £m	% Variation
Borrowing Interest	11.009	10.861	(0.148)	(1.3%)

3.3 **Market Loans – Risk Management**

The council's borrowing portfolio contains some market loans with LOBO options attached. This is where the lender has the option to change the interest rate on the loan and the borrower has the choice to accept the proposal or repay. To balance the benefits of these loans and the exposure to rate changes on the debt portfolio the authority has a strategy to reduce the number of exposure points in a given year. There was no rescheduling done during 2009/10, however due to previous rescheduling the number of interest rate change points in the 5 year period from 2010 to 2015 has reduced from 9 to 8. These variable loans do represent a risk to the authority in a period of high interest rates. The possible effect of an increase in interest rates is monitored regularly. Performance Indicator PrI 11 – maturity ranges, will be reviewed in light of this risk management approach.

3.4 **Investments**

Over the year Walsall's investment balance has increased by £21.9m. The split of this across long term and short term investments is shown in **Table 6** overleaf.

Table 6: Changes in Investments during 2009/10

	Opening Balance £m	Average Rate	Movement in Year £m	Closing Balance £m	Average Rate
Other Long Term Investments	(25.000)	5.83%	13.000	(12.000)	5.12%
Short Term Investments	(51.484)	5.03%	(34.919)	(86.403)	1.71%
Total	**(76.484)**	**5.22%**	**(21.919)**	**(98.403)**	**2.31%**

During 2009/10 the council has reduced its long term investments by £7m average rate of 4.97%. In addition to this £5m at a rate of 3.30% matures in the year 2010/2011 and is reclassified as short term investment. There were no new long term investments made in 2009/10.

In the light of continuing stresses on the world banking system, enhanced priority was given to security and liquidity in order to reduce counterparty risk to the maximum possible extent. Accordingly, some of the investment portfolio was moved into lower earning investment instruments with their lower level of counterparty risk.

In order to counter the downturn in investment rates and earnings explained above, and following information from Sector (our treasury advisors), an increased part of the investment portfolio was held in liquidity accounts with main UK banks. These accounts offered both instant access and rates which were often double those available in the money markets through brokers for overnight money and higher than for most periods up to six months.

Local Authority Money Brokers

The council speaks to four brokers on a daily basis. Of the £530m of new investments made in 2009/10, £78.m was dealt through brokers (investments fixed for three months up to 364 days). **Table 7** summarises the activity in 2009/10 and shows that a range of accounts and brokers are used.

Table 7 : Brokers performance 2009/2010 at 31/3/

		No of deals per broker	Value of Deal (£)	Interest Generated (£)	Average Interest Rate	%age of deals
	ICAP (Garban)	9	15,200,000	229,056.44	1.91%	3%
	City Deposit Brokers (Tradition)	14	16,900,000	227,477.12	2.08%	3%
	R P Martin	11	15,910,000	229,661.10	2.02%	3%
	London Currency Brokers	24	30,000,000	408,931.23	2.20%	6%
Call	Bank Of Scotland	122	154,863,000	74,293.90	0.75%	29%
Call	Abbey	40	62,495,000	98,909.51	0.80%	12%
Call	Alliance & Leicester	105	125,470,000	95,812.61	0.81%	24%
Call	Yorkshire Bank	55	83,592,000	50,548.50	0.75%	16%
	Lloyds TSB	3	2,000,000	9,205.27	1.28%	0%
	Barclays Bank Plc	3	4,845,000	19.91	0.12%	1%
Call	National Westminster Bank Plc	3	9,650,000	22,894.25	0.80%	2%
Call	Royal Bank of Scotland	3	9,650,000	22,894.25	0.80%	2%
	Total No of Deals	**386**	**530,575,000**	**1,469,704.09**	**1.06%**	100%

Table 8 shows the outturn on Investment income in 2009/10. The council achieved £0.232m increase in investment income. Although interest rates remained low the projected level of balances were higher than budget.

Table 8 **Investments Interest**	**2009/10 Approved Cash Limit £m**	**Outturn at 31 March 2010 £m**	**Over / (under) achieved cash limit £m**	**% Variation**
Short Term Investments - Gross Income	(1.713)	(1.702)	0.010	(0.6%)
Long Term Investments - Gross Income	(0.810)	(1.062)	(0.252)	31.2%

4. Comparison with other councils

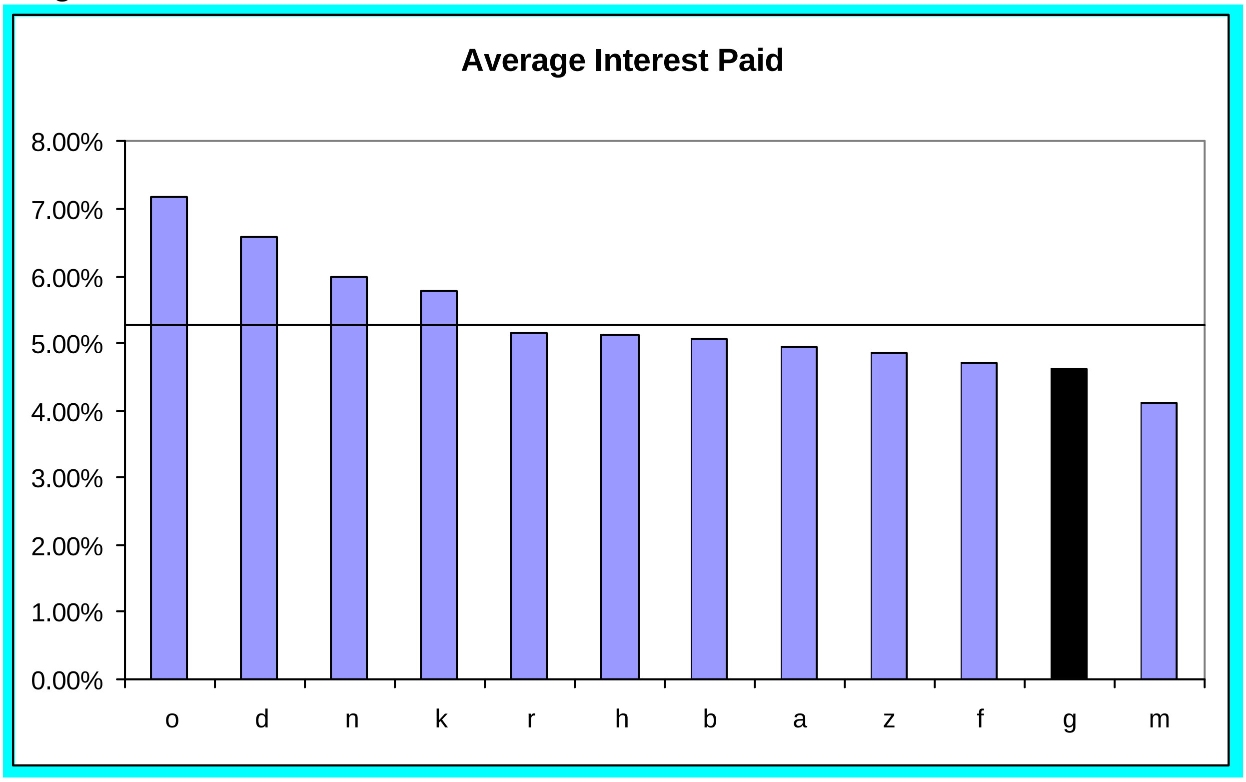
4.1. Table 9 compares interest paid and received during 2009/10 (excluding other local authority debt) with that of our family group. This shows that we were below the average interest rate on borrowing. If we had borrowed at the average rate for all family group councils, Walsall would have paid £1.73million more interest than was actually paid. It also shows that our rate of return on investments was slightly above average. If we had achieved the average investment rate of the councils that make up our family group, £0.325m less income would have been generated.

Table 9: Comparison with other councils

	Walsall Council 2009/10 £m	**Family Group 2009/10**		
		Average %	**Upper %**	**Lower %**
Interest paid	10.861			
Interest received	(2.765)			
Net interest cost	**8.096**			
Average interest rates:				
On borrowing	4.64%	5.35%	7.18%	4.12%
On investment	2.31%	2.03%	3.75%	0.56%

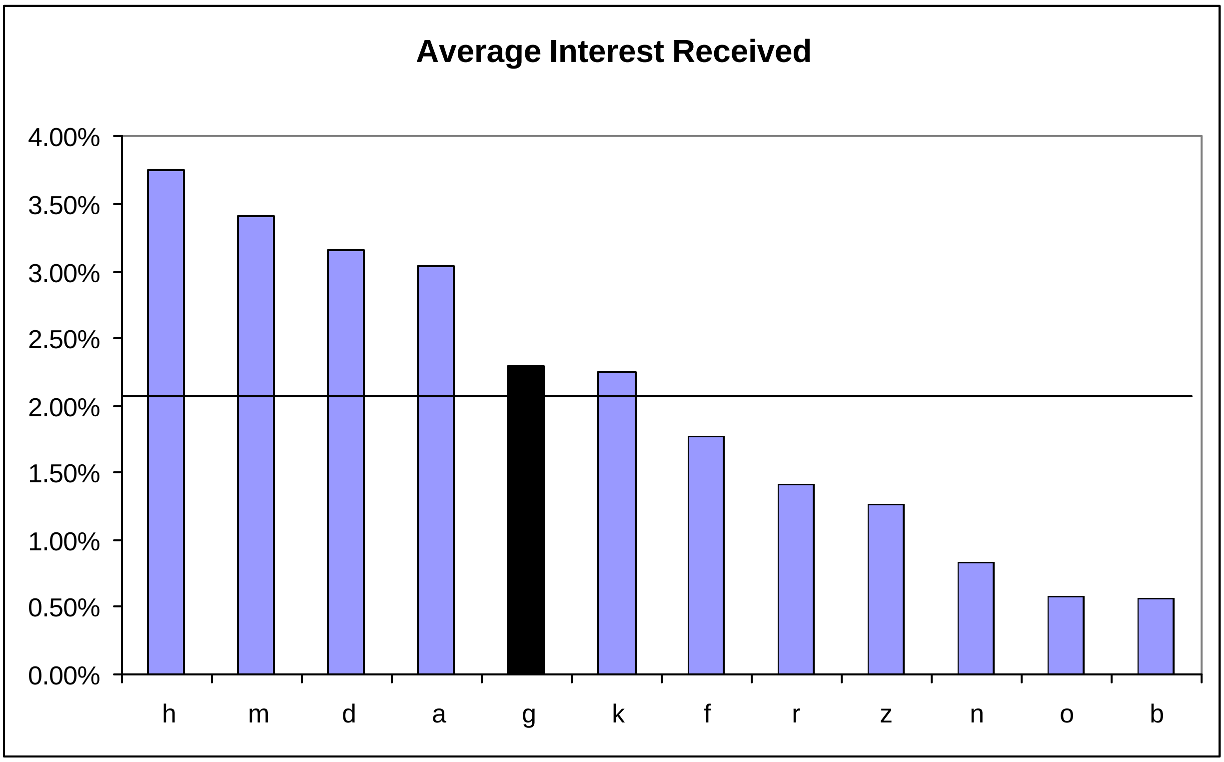
4.2 **Diagram 3** overleaf shows Walsall's position in comparison with our family group members within the Institute of Public Finance (IPF) benchmarking group, for average rate on interest paid. The black column represents Walsall Council. The horizontal line is the family average. This demonstrates strong performance.

Diagram 3



4.3 **Diagram 4** shows Walsall's position in comparison with our family group members within the IPF benchmarking group for average interest on investments. The black column represents Walsall. The horizontal line is the family average.

Diagram 4



Of the 16 councils in Walsall's comparator group, 6 had not completed the benchmarking exercise at the time this report was drafted.

5 Compliance with Treasury Limits

5.1 During the financial year the council operated within treasury limits and statutory Prudential Indicators set out in the council's annual treasury strategy Report. The outturn for the Prudential Indicators is shown in **Appendix B**. It shows variations against targets for the following indicators.

- PrI 1: Capital Expenditure - variation of £45.6m due to high capital slippage to 2010/11. The indicator has been shown to be met because the approved capital expenditure has not been exceeded.
- PrI 4: Capital Financing Requirement - variation of £40.8m is due in the main to an additional year end provision for potential single status awards. No borrowing has yet been taken for this. The indicator has been shown to be met because the CFR is an indicator of the amount of capital resources to be funded by borrowing and this, at £315.3m, is greater than the borrowing position of the council of £262.2m shown in **Table 4.**
- L2: Average length of debt - this is an indicator of our ideal maturity profile. No action has been taken to address this because the timing for rescheduling or new borrowing has not been appropriate.
- L8 and L9 relating to investment rate returns: as noted previously in report this is due to the unforeseen continuing low interest environment.

APPENDIX B

Prudential Affordability Indicators defined within the Prudential Code

Indicator		Actual 2008/09 £'000	Target 2009/10 £'000	Position as at 31-Mar-10 £'000	Variance to target £'000	Variance to target %	Met Yes / No
PrI 1	Capital Expenditure (09/10 target revised due to slippage from 08/09. Target revised from £60,812 to £88,902)	53,099	88,902	**43,239**	-45,663	-51.3%	Y
PrI 2	Ratio of financing costs to net revenue stream	7.56%	9.90%	**8.88%**	-1.02%	-10.3%	Y
PrI 3	Estimates of the incremental impact of new capital investment decisions on Council Tax	£6.49	£14.73	**£14.73**	0.00	0.0%	Y
PrI 4	Capital Financing Requirement	256,708	274,537	**315,344**	40,807	14.8%	Y
PrI 5	Authorised Limit for external debt	299,280	301,991	**301,991**	-	0.0%	Y
PrI 6	Operational Limit for external debt	272,073	274,537	**274,537**	-	0.0%	Y

Prudential indicators for Prudence

Indicator		Actual 2008/09 £'000	Target 2009/10 £'000	Position as at 31-Mar-10 £'000	Met Yes / No
PrI 7	Net Borrowing exceeds capital financing requirement	No	No	**No**	Y
PrI 8	Authority has adopted CIPFA Code of Practice for Treasury Management	Yes	Yes	**Yes**	Y
PrI 12	Total principle sums invested for longer than 364 days must not exceed	25,000	25,000	**12,000**	Y

Continued

Indicator		Upper Limit	Lower Limit	Actual 2008/9 .	Position as at 31-Mar-10	Met
PrI 9	Fixed Interest Rate Exposure	95%	40%	**92%**	**92%**	Y
PrI 10	Variable Interest Rate Exposure	45%	0%	**8%**	**8%**	Y
PrI 11	***Maturity Structure of Borrowing***					
& PrI12	Under 12 months	15%	0%	**9%**	**14%**	Y
	12 months and within 24 months	20%	0%	**14%**	**2%**	Y
	24 months and within 5 years	25%	0%	**12%**	**23%**	Y
	5 years and within 10 years	50%	10%	**12%**	**6%**	Y
	10 years and above	85%	40%	**54%**	**55%**	Y

Locally defined prudential indicators

Indicator		Actual 2008/09 £'000	Target 2009/10 £'000	Position as at 31-Mar-10 %	Variance to target %	Met
L1	Full compliance with prudential code	Yes	Yes	**Yes**		Y
L2	Average length of debt	17.8 years	20 to 25 years	**18.3 years**		N
L3	Ratio of unsupported financing costs to net revenue stream	1.14%	1.90%	**1.13%**	-0.77%	Y
L4	Net actual debt vs operational debt	97.00%	94.10%	**93.00%**	-1.10%	Y
L5	Average interest rate of external debt outstanding including OLA	4.69%	4.85%	**4.69%**	-0.16%	Y
	Average interest rate of external debt outstanding excluding OLA	4.37%	4.70%	**4.64%**	-0.06%	Y
L6	Gearing effect of 1% increase in interest rate	1.87%	5.00%	**2.73%**	-2.27%	Y
L7	Average interest rate received on STI vs 7 day LIBID rate					
	Month	1.07%	0.41%	**0.81%**	0.40%	Y
	Cumulative	4.15%	0.46%	**0.97%**	0.51%	Y
L8	Average interest rate received on short term investments					
	Month	3.19%	2.50%	**1.41%**	-1.09%	N
	Cumulative	5.03%	2.50%	**1.71%**	-0.79%	N
L9	Average rate on all investments					
	Month	3.80%	3.50%	**2.01%**	-1.49%	N
	Cumulative	5.22%	3.50%	**2.31%**	-1.19%	N
L10	% daily bank balances within target range					
	Month	97.00%	98.00%	**97%**	-1.00%	N
	Cumulative	98.00%	98.00%	**97%**	-1.00%	N

APPENDIX C

EXPLANATION OF TECHNICAL TERMS

TERM	DEFINITION
Authorised Limit	Level of debt set by the council that must not be exceeded.
Bond	A government or public company's document undertaking to repay borrowed money usually with a fixed rate of interest.
Borrowing	Obtaining money for temporary use that has to be repaid.
Cash flow Management	The management of the authority's receipts and payments to ensure the authority can meet its financial obligations.
Counter party limits	Maximum amount that the council may lend to other institutions will vary according to size and credit rating of other intuitions.
Dividends	Sum to be payable as interest on loan.
ECB	European Central Bank
Investments	The employment of money with the aim of receiving a return.
LOBO	Lenders Option Borrowers Option. A type of loan arrangement.
Liquidity	How easily an asset including investments may be converted to cash.
Long Term Borrowing	Borrowing of money for a term greater than one year.
Long Term Liabilities	Amounts owed by the council greater than 12 months old.
Market convention	The rules and regulations by which all brokers and dealers should abide by. It includes standards of practice and calculation conventions for interest. They are defined in the London Code of Conduct ("The London Code") published by the Bank of England.
MPC	Monetary Policy Committee – group that sets the bank base rate for the Bank of England
Non specified investments	Investments with a maturity exceeding a year
Operational Boundary	An indicator of the level day the authority expects during day to day treasury management activities
Other Local Authority Debt	Debt that is owed by one local authority to another local authority.
PFI	Private Finance Initiative
PWLB	Public Works Loan Board, a central government body providing loans to councils.
Prudential Code	A framework of policies and working practices to ensure that local authorities' capital investment plans are affordable, prudent and sustainable.
Short Term Borrowing	Borrowing of money for a term of up to 364 days.
Stock	Subscribed capital of trading company, or public debt of nation, municipal corporation etc regarded as transferable property
Temporary borrowing	Borrowing of money for a term of up to 364 days.
Treasury management	The management of the local authority's cash flows, its borrowings and its investments, the management of associated risks, and the pursuit of the optimum performance or return consistent with those risks.
Treasury Policy Statement	A statement of key policies that an organisation follows in pursuit of effective treasury management, including borrowing limits and strategy.
Variable debt	This is money that has been borrowed at a variable interest rate, and as such is subject to interest rate changes.
Unsupported borrowing	Borrowing taken through the remit of the Prudential Code for which the council will not receive any government funding and will fund from own resources.