

**ANGUS COUNCIL****MEETING OF ANGUS COUNCIL – 23 MARCH 2017****TREASURY MANAGEMENT STRATEGY STATEMENT 2017/18 – SUPPLEMENTARY REPORT  
REPORT BY THE HEAD OF CORPORATE IMPROVEMENT AND FINANCE****ABSTRACT**

This report seeks Members approval of the proposed policy for the statutory repayment of Loans Fund advances. This is a new requirement under Finance Circular 7/2016.

**1 RECOMMENDATIONS**

1.1 It is recommended that Council:

- (i) approve the policy on the statutory repayment of Loans Fund Advances as set out at section 4 of this report; and
- (ii) note the information in respect of the commitment to repay Loans Fund advances set out in section 5 below.

**2 BACKGROUND**

- 2.1 The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 brought in new requirements for the Council to comply with for borrowing and the accounting for such borrowing. Under Finance Circular 7/2016, which incorporates statutory guidance on the 2016 Regulations, the Council is now required to set out its policy for the statutory repayment of Loans Fund advances prior to the start of each financial year and the policy is set out at section 4 below. The repayment of Loans Fund advances ensures that the Council makes a prudent provision each year to pay off an element of the accumulated Loans Fund advances made in previous financial years.
- 2.2 The Finance Circular also requires that the Council report on the commitments to repay Loans Fund advances and this is covered at section 5 below.

**3 REPAYMENT OPTIONS**

- 3.1 The Finance Circular sets out 4 options that can be applied to be compliant with the policy requirement. These are:
- a. Statutory Method;
  - b. Depreciation Method;
  - c. Asset Life Method – implemented as either:
    - i. Equal Instalment Method; or
    - ii. Annuity Method;
  - d. Funding / Income Profile Method.
- 3.2 The Finance Circular stipulates that Loans Fund advances made prior to 1 April 2016 should continue to be repaid using the Statutory Method and this is reflected in the policy below.
- 3.3 Recognising that local authorities will have forward capital expenditure plans already in place and that the revenue implications of these will already have been assessed under existing repayment methodologies, the Finance Circular provides that the Statutory Method can continue to be used for a transition period up to 31 March 2021 for Loans Fund advances made after 1 April 2016.
- 3.4 After that point the Statutory Method will not be available for new Loans Fund advances and the Council will be required to utilise one of the alternative methods with the broad aim of ensuring that repayment periods are “reasonably commensurate with the period and pattern of the benefits provided to the community from capital expenditure”.
- 3.5 In light of the transition period, it is proposed to continue utilising the Statutory Method at this time and this is reflected in the policy below. Finance officers will review the potential impact on

projected loan charges of the removal of the Statutory Method from 31 March 2021 and will report back to Council in this regard in due course.

#### 4 POLICY FOR THE STATUTORY REPAYMENT OF LOANS FUND ADVANCES

- 4.1 For Loans Fund advances made prior to 1 April 2016, the policy will be to apply the Statutory Method in line with the stipulations of Finance Circular 7/2016.
- 4.2 For Loans Fund advances made after 1 April 2016, the policy will be to continue applying the Statutory Method while evaluation of the alternative methods is undertaken.

#### 5 REPAYMENT OF LOANS FUND ADVANCES

- 5.1 The term Loans Fund advances refers to funds borrowed from the Loans Fund by services to fund their capital programmes. This is distinct from the borrowing sourced externally from the Public Works Loans Board and other market sources which the Loans Fund borrows to provide the cash which is then lent to services as Loans Fund advances.
- 5.2 Finance Circular 7/2016 requires that the Council report on the movement in Loans Fund advances for the year as well as the future commitments to repay Loans Fund advances with the year bandings shown below being stipulated within the Circular.
- 5.3 The Circular further requires that General Fund and Housing Revenue Account should be reported separately. The Council's Loans Fund had however also previously advanced funds to Tayside Police, the liability for which now falls to Police Scotland. In the interests of transparency therefore, the following tables show all 3 of these elements separately.
- 5.4 Loans Fund Advances – Movements In Year

	Gen Fund	HRA	Police	Totals
	£,000	£,000	£,000	£,000
Opening Balance	115,876	38,036	7,201	161,113
New Advances	17,945	0	0	17,945
Repayments Made	(6,699)	(398)	(669)	(7,766)
<b>Closing Balance</b>	<b>127,122</b>	<b>37,638</b>	<b>6,532</b>	<b>171,292</b>

#### 5.5 Loans Fund Advances – Future Repayment Commitments

	Gen Fund	HRA	Police	Totals
	£,000	£,000	£,000	£,000
Repayments due within 1 year	5,487	413	592	6,492
Repayments due within 2 to 5 years	25,279	4,122	2,538	31,939
Repayments due within 6 to 10 years	37,002	8,500	1,766	47,268
Repayments due within 11 to 15 years	27,319	6,678	484	34,481
Repayments due within 16 to 20 years	11,082	4,401	444	15,927
Repayments due within 21 to 25 years	10,321	3,869	454	14,644
Repayments due within 26 to 30 years	10,399	3,468	28	13,895
Repayments due within 31 to 35 years	230	3,426	51	3,707
Repayments due within 36 to 40 years	1	2,158	90	2,249
Repayments due within 41 to 45 years	2	603	85	690
<b>Total Repayments Due</b>	<b>127,122</b>	<b>37,638</b>	<b>6,532</b>	<b>171,292</b>

## **6 FINANCIAL IMPLICATIONS**

- 6.1 There are no direct financial implications arising from the recommendations in this report.
- 6.2 This report results from the requirements of Finance Circular 7/2016 for the Council to:
- have a specific policy in relation to the statutory repayment of Loans Fund advances; and
  - to report Loans Fund advances repayment commitments.
- 6.3 Members are asked to note that the content of this report will be subsumed into the main Treasury Management strategy report and statement for future years.

**NOTE:** No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973, were used in the preparation of this report.

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