

BDC Treasury Management**Activity 2015/16****Capital Financing Requirement**

The key area of Treasury Management is the measurement and control of the overall debt position of the Council. This is calculated through the Capital Financing Requirement (CFR). The CFR calculates the Council's underlying need to borrow in order to finance its capital expenditure. The revised estimate of the CFR for 2015/16 and the actual outturn CFR are shown in the table below: -

	Revised Budget 2015/16 £000	Actual Outturn 2015/16 £000
Capital Financing Requirement 1 April	98,962	98,962
Prudential Borrowing General Fund	1,825	722
Prudential Borrowing HRA	470	436
Leasing Repayments	(19)	(19)
Minimum Revenue Provision (MRP)	(234)	(207)
Movement on other debt – retentions	0	20
HRA Debt Repayment per business plan	(3,500)	(3,500)
Repayment of Allowable Debt (HRA)	0	(590)
Capital Financing Requirement 31 March 2016	97,504	95,824

The overall outturn position shows a net reduction of outstanding debt of £3.138m in 2015/16. Prudential borrowing has been undertaken by the Council in 2015/16 for General Fund Vehicles, ICT projects, the Asset Management Plan and new Council Dwellings

The repayment of outstanding debt from the Sale of Council House receipts is the Allowable Debt sum of £0.590m. Under the current regulations when a Council dwelling is sold the Council is allowed to retain some of the capital receipts because it is carrying debt on each property following the HRA reforms settlement. It is called the Allowable Debt calculation. It is advisable that the retained receipt element for Allowable Debt is actually utilised to repay the debt outstanding on the sold houses otherwise the Council is carrying debt where it has no asset.

The Capital Financing requirement is split between the HRA and General Fund the balance of each is shown below:

Capital Financing Requirement at 31 March 2016	£000
General Fund	6,401
Housing Revenue Account	89,423
Total CFR	95,824

From the HRA CFR the Council is able to calculate the “headroom” available which is the gap between the HRA debt limit set by the Government when the HRA reforms were introduced. This is shown in the table below:

APPENDIX F

HRA “Headroom” calculation	£000
Housing Revenue Account – Debt Limit	112,350
Housing Revenue Account CFR 31 March 2016	89,423
Headroom at 31 March 2016 =	22,927

The above table shows that the Council’s HRA has a headroom figure of £22.927m at 31 March 2016.

How the CFR is covered.

As mentioned above the CFR is the Council’s underlying need to borrow to finance capital expenditure. To finance the CFR the Council has external borrowing, finance leases and the use of its own reserves and balances. The position as at 31 March 2016 is as follows:

	£000
Capital Financing Requirement 31 March 2016	95,824
Financed from	
External Borrowing via PWLB	104,100
External Borrowing via Leasing arrangements	19
Use of internal balances and reserves	(8,295)
Total Financing of CFR	95,824

PWLB Borrowing

The Council’s total outstanding PWLB debt amounted to £104.100m at 1 April 2015. During 2015/16 no principal repayments were made. No new loans have been taken out with the PWLB during 2015/16. The profile of the outstanding debt is analysed as follows: -

PWLB BORROWING	Maturity Profile 31 March 2015 £	Maturity Profile 31 March 2016 £
Term		
12 Months	0	1,000,000
1 - 2 years	1,000,000	1,000,000
2 - 5 years	4,000,000	5,000,000
5 - 10 years	20,300,000	20,300,000
Over 10 year	78,800,000	76,800,000
Total PWLB Debt	104,100,000	104,100,000

PWLB Interest

The interest cost to the Council of the PWLB debt for 2015/16 is £3,675,550. The cost is split within the accounts between the HRA and General Fund based on the level of debt outstanding within the CFR.

Temporary Borrowing

Cash flow monitoring and management serves to identify the need for short term borrowing to cover delays in the receipt of income during the course of the year. During 2015/16 no short term borrowing was undertaken by the Council and therefore no interest charges were incurred.

Temporary / Fixed Investments

The table below details the investments held at 2015/16.

Bank Name	Balance Invested 31 March 16 £000
Fixed	
Nationwide	5,000
Goldman Sachs	5,000
Lloyds	5,000
Call Accounts	
Barclays	5,000
Santander	4,000
Money Market Funds	15,000
Total	39,000

From the table above it can be seen that the balance invested by the Council at 31 March 2016 is £39.0m. Interest earned from temporary investments during 2015/16 amounted to £217,010 and is detailed in the table below:

Bank Name	Amount Received
Nationwide	(30,753)
Goldman Sachs	(28,560)
Close Brothers	(24,164)
Lloyds	(12,753)
Barclays	(29,510)
Nat West Bank	(5,403)
Money Market Funds	(69,375)
Santander	(16,492)
Total	(217,010)

Overnight Balances

The balance of any daily funds is retained in the Council's general account with the Lloyds Bank.

Compliance with Treasury Limits

During the financial year the Council continued to operate within the treasury limits set out in the Council's Borrowing and Investment Strategy.

	Actual in year 2015/16 £000	Set Limits in year 2015/16 £000
Authorised Limit (total Council external borrowing limit)	104,119	113,969
Operational Boundary	104,119	108,969

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