

BDC Treasury Management**Activity 2016/17****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 2016/17 and the actual outturn CFR are shown in the table below: -

	Revised Budget 2016/17 £000	Actual Outturn 2016/17 £000
Capital Financing Requirement 1 April	95,824	95,824
Prudential Borrowing General Fund	4,346	3,982
Prudential Borrowing HRA	1,594	1,291
Leasing Repayments	(19)	(19)
Minimum Revenue Provision (MRP)	(259)	(259)
Movement on other debt – retentions	0	216
HRA Debt Repayment per business plan	(1,015)	(1,015)
Repayment of Allowable Debt (HRA)	0	(1,138)
Capital Financing Requirement 31 March 2017	100,471	98,882

The overall outturn position shows a net increase of outstanding debt of £3.058m in 2016/17. Prudential borrowing has been undertaken by the Council in 2016/17 for General Fund Vehicles, improved Leisure Facility and new Council Dwellings

The repayment of outstanding debt from the Sale of Council House receipts is the Allowable Debt sum of £1.138m. 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 2017	£000
General Fund	10,320
Housing Revenue Account	88,562
Total CFR	98,882

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 following table:

HRA “Headroom” calculation	£000
Housing Revenue Account – Debt Limit	112,350
Housing Revenue Account CFR 31 March 2017	88,562
Headroom at 31 March 2017 =	23,788

The above table shows that the Council’s HRA has a headroom figure of £23.788m at 31 March 2017.

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 2017 is as follows:

	£000
Capital Financing Requirement 31 March 2017	98,882
Financed from	
External Borrowing via PWLB	103,100
External Borrowing via Leasing arrangements	0
Use of internal balances and reserves	(4,218)
Total Financing of CFR	98,882

PWLB Borrowing

The Council’s total outstanding PWLB debt amounted to £104.100m at 1 April 2016. During 2016/17 £1,000,000 principal repayments were made. No new loans have been taken out with the PWLB during 2016/17. The profile of the outstanding debt is analysed as follows: -

PWLB BORROWING	Maturity Profile 31 March 2016 £	Maturity Profile 31 March 2017 £
Term		
12 Months	1,000,000	1,000,000
1 - 2 years	1,000,000	0
2 - 5 years	5,000,000	8,700,000
5 - 10 years	20,300,000	19,600,000
Over 10 year	76,800,000	73,800,000
Total PWLB Debt	104,100,000	103,100,000

PWLB Interest

The interest cost to the Council of the PWLB debt for 2016/17 is £3,669,878.36. 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 2016/17 no short term borrowing was undertaken by the Council and therefore no interest charges were incurred.

Temporary / Fixed Investments

The table below details the balance of investments held at 31st March.

Bank Name	Balance Invested 31 March 17 £000
Fixed	
Nationwide	5,000
Local Authorities	20,000
Call Accounts	
Money Market Funds	17,000
Total	42,000

From the table above it can be seen that the balance invested by the Council at 31 March 2017 is £42.0m. Interest earned from temporary investments during 2016/17 amounted to £169,255 and is detailed in the table below:

Bank Name	Amount Received £
Nationwide	(27,141)
Goldman Sachs	(29,874)
Close Brothers	(7,671)
Local Authorities	(3,987)
Barclays	(9,788)
Money Market Funds	(90,794)
Total	(169,255)

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 2016/17 £000	Set Limits in year 2016/17 £000
Authorised Limit (total Council external borrowing limit)	108,882	114,979
Operational Boundary	103,882	109,979