

**Treasury Management 2014/15****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 2014/15 and the actual outturn CFR are shown in the table below: -

	<b>Revised Budget 2014/15 £000</b>	<b>Actual Outturn 2014/15 £000</b>
Capital Financing Requirement 1 April	109,563	109,563
Prudential Borrowing General Fund	1,268	488
Prudential Borrowing HRA	0	0
Leasing Repayments	(69)	(69)
Minimum Revenue Provision (MRP)	(384)	(384)
Movement on other debt – retentions	0	(14)
HRA Debt Repayment per business plan	(3,500)	(3,500)
Repayment of Allowable Debt (HRA)	0	(753)
Debt Repayment – General Fund	0	(6,369)
<b>Capital Financing Requirement 31 March 2015</b>	<b>106,878</b>	<b>98,962</b>

The overall outturn position shows a net reduction of outstanding debt of £10.601m in 2014/15. Prudential borrowing has been undertaken by the Council in 2014/15 for General Fund Vehicles, ICT projects and the Asset Management Plan.

The repayment of outstanding debt from the Sale of Council House receipts is the Allowable Debt sum of £0.753m. 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. This 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:

<b>Capital Financing Requirement at 31 March 2015</b>	<b>£000</b>
General Fund	5,885
Housing Revenue Account	93,077
<b>Total CFR</b>	<b>98,962</b>

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:

<b>HRA “Headroom” calculation</b>	<b>£000</b>
Housing Revenue Account – Debt Limit	112,350
Housing Revenue Account CFR 31 March 2015	93,077
<b>Headroom at 31 March 2015 =</b>	<b>19,273</b>

The above table shows that the Council’s HRA has a headroom figure of £19.273m at 31 March 2015. While the Council can borrow up to the debt limit it needs to ensure that the costs of the borrowing are affordable and meet the requirements of the Prudential Code.

#### **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 2015 is as follows:

	<b>£000</b>
Capital Financing Requirement 31 March 2015	98,962
Financed from	
External Borrowing via PWLB	104,100
External Borrowing via Leasing arrangements	38
Use of internal balances and reserves	(5,176)
<b>Total Financing of CFR</b>	<b>98,962</b>

#### **PWLB Borrowing**

The Council’s total outstanding PWLB debt amounted to £105.100m at 1 April 2014. During 2014/15 £1m principal repayments were made. No new loans have been taken out with the PWLB during 2014/15. The profile of the outstanding debt is analysed as follows: -

<b>PWLB BORROWING</b>	<b>Maturity Profile 31 March 2014 £</b>	<b>Maturity Profile 31 March 2015 £</b>
<b>Term</b>		
12 Months	1,000,000	0
1 - 2 years	1,000,000	2,000,000
2 - 5 years	1,000,000	3,000,000
5 - 10 years	16,100,000	20,300,000
Over 10 year	86,000,000	78,800,000
<b>Total PWLB Debt</b>	<b>105,100,000</b>	<b>104,100,000</b>

#### **PWLB Interest**

The interest cost to the Council of the PWLB debt for 2014/15 is £3,682,968.00. 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 2014/15 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 2014/15.

<b>Bank Name</b>	<b>Balance Invested 31 March 15 £000</b>
<b>Fixed</b>	
Nationwide	2,000
Goldman Sachs	5,000
Lloyds	5,000
<b>Call Accounts</b>	
Barclays	5,000
Nat West	5,000
Money Market Funds	7,800
<b>Total</b>	<b>29,800</b>

From the table above it can be seen that the balance invested by the Council at 31 March 2015 is £29.8m. Interest earned from temporary investments during 2014/15 amounted to £152,082 and is detailed in the table below:

<b>Bank Name</b>	<b>Amount Received</b>
Nationwide	(6,453)
Goldman Sachs	(12,285)
Lloyds	(43,540)
Barclays	(29,420)
Nat West Bank	(25,292)
Money Market Funds	(31,673)
Santander	(3,419)
<b>Total</b>	<b>(152,082)</b>

## 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.

	<b>Actual in year 2014/15 £000</b>	<b>Set Limits in year 2014/15 £000</b>
Authorised Limit (total Council external borrowing limit)	105,430	116,878
Operational Boundary	105,430	111,878