

BDC Treasury Management – Outturn 2017/18**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 2017/18 and the actual outturn CFR are shown in the table below: -

	Revised Budget 2017/18 £000	Actual Outturn 2017/18 £000
<i>Capital Financing Requirement 1 April</i>	98,882	98,882
Prudential Borrowing General Fund	459	179
Prudential Borrowing HRA	3,810	5,174
Finance Leases undertaken in year	0	41
Leasing Repayments	0	(21)
Minimum Revenue Provision (MRP)	(694)	(694)
Movement on other debt – retentions	0	100
Movement of provision for HRA Debt Repayment	11,015	11,015
Repayment of Allowable Debt (HRA)	0	(616)
Capital Receipts set-aside	0	(1,512)
<i>Capital Financing Requirement 31 March 2018</i>	113,472	112,548

The overall outturn position shows a net increase of outstanding debt of £13.666m in 2017/18 when compared to the opening CFR. Prudential borrowing has been undertaken by the Council in 2017/18 totalling £5.353m on General Fund Vehicles, ICT projects, the Asset Management Plan and new Council Dwellings. In addition to capital investment a reserve has been created to build up funds to meet the repayment of HRA loans that were taken out as part of self-financing of the HRA in 2012, as they become due.

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 2018	£000
General Fund	8,414
Housing Revenue Account	104,134

Total CFR	112,548
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From the HRA CFR, the Council is able to calculate the “headroom” available. This is the gap between the HRA CFR and the HRA debt limit set by the Government when the HRA reforms were introduced. This is shown in the table below:

HRA “Headroom” calculation	£000
Housing Revenue Account – Debt Limit	112,350
Housing Revenue Account CFR 31 March 2018	104,134
Headroom at 31 March 2018 =	8,216

The above table shows that the Council’s HRA has a headroom figure of £8.216m at 31 March 2018.

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 2018 is as follows:

	£000
Capital Financing Requirement 31 March 2018	112,548
Financed from:	
External Borrowing via PWLB	102,100
External Borrowing via Leasing arrangements	21
Use of internal balances and reserves	10,427
Total Financing of CFR	112,548

PWLB Borrowing

The Council’s total outstanding PWLB debt amounted to £103.100m at 1 April 2017. During 2017/18 £1.000m principal repayment was made. No new loans have been taken out with the PWLB during 2017/18. The profile of the outstanding debt is analysed as follows: -

PWLB BORROWING	Maturity Profile 31 March 2017 £	Maturity Profile 31 March 2018 £
Term		
12 Months	1,000,000	0

1 - 2 years	0	3,000,000
2 - 5 years	8,700,000	9,700,000
5 - 10 years	19,600,000	23,400,000
Over 10 year	73,800,000	66,000,000
Total PWLB Debt	103,100,000	102,100,000

PWLB Interest

The interest cost to the Council of the PWLB debt for 2017/18 is £3.664m. 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 2017/18 no short term borrowing was undertaken by the Council and therefore no interest charges were incurred.

Temporary / Fixed Investments

The table below details the fixed investments held at 31 March 2018

Bank Name	Balance Invested 31 March 18 £000
Fixed	
National Counties	5,000
Local Authorities	24,000
Call Accounts	
Money Market Funds	7,000
Total	36,000

From the table above it can be seen that the balance invested by the Council at 31 March 2018 is £36m. Interest earned from temporary investments during 2017/18 amounted to £0.164m and is detailed in the following table:

	Average Period each Investment	Number of Investments	Total Investment during year £000	Interest Received 2017/18 £
Building Societies	3 months	5	22,000	9,966
Local Authorities	1 year	3	15,000	80,959
Local Authorities	6 months	6	9,000	21,153
Local Authorities	3 months	9	19,000	23,089
Money Market Funds	Overnight	n/a	Average interest rate 0.45%	29,235
Total				164,402

Overnight Balances

The balance of any daily funds is retained in the Council's general account with 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 2017/18 £000	Set Limits in year 2017/18 £000
Authorised (total Council external borrowing limit)	122,548	123,472
Operational Boundary	117,548	118,472