

## **BDC TREASURY MANAGEMENT – OUTTURN 2019/20**

### **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 2019/20 and the actual outturn CFR are shown in the table below: -

|   | <b>Current<br/>Budget<br/>2019/20<br/>£000</b> | <b>Actual<br/>Outturn<br/>2019/20<br/>£000</b> |
|---|--|--|
| <b><i>Capital Financing Requirement 1 April</i></b>       | <b>115,864</b>                                 | <b>115,864</b>                                 |
| Prudential Borrowing HRA                                  | 2,294  | 707  |
| Minimum Revenue Provision (MRP)                           | (757)  | (757)  |
| Movement on other debt – retentions                       | 0  | (78)   |
| Capital Receipts set-aside                                | 0  | (450)  |
| <b><i>Capital Financing Requirement 31 March 2020</i></b> | <b>117,401</b>                                 | <b>115,286</b>                                 |

The overall outturn position shows a net decrease of outstanding debt of £0.578m in 2019/20 when compared to the opening CFR. Prudential borrowing has been undertaken by the Council in 2019/20 totalling £0.707m on new HRA Council Dwellings

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 2020</b> | <b>£000</b>    |
|---|----------------|
| General Fund  | 8,205          |
| Housing Revenue Account                               | 107,081        |
| <b>Total CFR</b>                                      | <b>115,286</b> |

### **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 and the use of its own reserves and balances. The position as at 31 March 2020 is as follows:

|   |                |
|---|----------------|
|   | <b>£000</b>    |
| Capital Financing Requirement 31 March 2020 | 115,286        |
| Financed from:                              |                |
| External Borrowing via PWLB                 | 99,100         |
| Use of internal balances and reserves       | 16,186         |
| <b>Total Financing of CFR</b>               | <b>115,286</b> |

### **PWLB Borrowing**

The Council's total outstanding PWLB debt amounted to £102.100m at 1 April 2019. During 2019/20 £3m of principal has been repaid. No new loans have been taken out with the PWLB during 2019/20. The profile of the outstanding debt is analysed as follows: -

| <b>PWLB BORROWING</b>  | <b>Maturity Profile<br/>31 March 2019<br/>£</b> | <b>Maturity Profile<br/>31 March 2020<br/>£</b> |
|------------------------|---|---|
| <b>Term</b>            |   |   |
| 12 Months              | 3,000,000                                       | 2,000,000                                       |
| 1 - 2 years            | 2,000,000                                       | 3,700,000                                       |
| 2 - 5 years            | 11,100,000                                      | 14,600,000                                      |
| 5 - 10 years           | 24,000,000                                      | 20,800,000                                      |
| Over 10 year           | 62,000,000                                      | 58,000,000                                      |
| <b>Total PWLB Debt</b> | <b>102,100,000</b>                              | <b>99,100,000</b>                               |

### **PWLB Interest**

The interest cost to the Council of the PWLB debt for 2019/20 is £3.588m. 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 2019/20 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 2020

| <b>Bank Name</b>     | <b>Balance<br/>Invested<br/>31 March 20<br/>£000</b> |
|----------------------|--|
| <b>Fixed</b>         |  |
| Local Authorities    | 27,954   |
| <b>Call Accounts</b> |  |
| Money Market Funds   | 8,500  |
| <b>Total</b>         | <b>36,454</b>  |

From the table above it can be seen that the balance invested by the Council at 31 March 2020 is £36.454m. Interest earned from temporary investments during 2019/20 amounted to £0.328m and is detailed in the following table:

|                    | <b>Average<br/>Period<br/>each<br/>Investment</b> | <b>Total<br/>Investment<br/>during<br/>year<br/>£000</b> | <b>Interest<br/>Received<br/>2019/20<br/>£</b> |
|--------------------|---|--|--|
| Building Societies | 6 months  | 5,000  | 16,274   |
| Local Authorities  | 1 year  | 10,000   | 71,525   |
| Local Authorities  | 9 months  | 17,950   | 50,594   |
| Local Authorities  | 6 months  | 12,000   | 54,424   |
| Local Authorities  | 3 months  | 22,450   | 20,740   |
| Money Market Funds | Overnight   | Average interest rate 0.72%                              | 114,095  |
| <b>Total</b>       |   |  | <b>327,652</b>                                 |

## 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.

|   | <b>Actual in<br/>year<br/>2019/20<br/>£000</b> | <b>Set Limits<br/>in year<br/>2019/20<br/>£000</b> |
|---|--|--|
| Authorised (total Council external borrowing limit) | 125,287  | 131,921  |
| Operational Boundary                                | 120,287  | 126,921  |