

Activity 2013/14

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 2013/14 and the actual outturn CFR are shown in the table below: -

	Revised Budget 2013/14 £000's	Actual Outturn 2013/14 £000's
Capital Financing Requirement 1 April	172,962	172,962
Prudential Borrowing Gen Fund – Vehicle Replacement	426	0
Prudential Borrowing Gen Fund – Land/Buildings, Mill Lane	3,000	1,898
Prudential Borrowing HRA– Tarran Regeneration Scheme	2,000	2,000
Leasing Repayments	(316)	(316)
Minimum Revenue Provision (MRP)	(377)	(344)
Net repayment of other debt	(33)	(32)
Prudential Borrowing Gen Fund - Financing of Loan to Rykneld Homes	0	274
HRA Debt Repayment per business plan	(3,400)	(3,400)
Repayment of Allowable Debt	(200)	(584)
Capital Financing Requirement 31 March 2014	174,062	172,458

The overall position shows a net reduction of outstanding debt of £0.504m during the year compared to the anticipated increase in debt of £1.100m in the Revised Budget. The reduction reflects that no prudential borrowing was undertaken for the replacement vehicles in the year (capital budget under spend and other financing options utilised) and the phased planned spend on the land and buildings at Mill Lane.

The actual CFR position also reflects the Council's financing of the approved General Fund loan to Rykneld Homes (£0.274m) and the repayment of Allowable Debt. This repayment of allowable debt relates to the Sale of Council Houses. Under the new HRA reforms 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 2014	£000
General Fund	9,793
Housing Revenue Account	162,665
Total CFR	172,458

From the HRA CFR the Council is able to calculate the “headroom” available which is the gap between the HRA debt ceiling 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 Ceiling	178,984
Housing Revenue Account CFR 31 March	162,665
Headroom at 31 March 2014 =	16,319

The above table shows that the Council’s HRA has a headroom figure of £16.319m at 31 March 2014. The forecast position of the headroom for 2014/15 is as follows:

HRA “Headroom” projected calculation	£000
Housing Revenue Account – Debt Ceiling	178,984
Housing Revenue Account CFR 31 March	162,665
Borrowing for Tarran Scheme 2014/15	6,413
Debt Repayment HRA business plan	(3,400)
HRA CFR 31 March 2015	165,678
Estimated Headroom at 31 March 2015 =	13,306

The HRA business plan carefully manages the debt position of the HRA and it can be seen that the Council is able to maintain a good headroom level in which to operate and deliver HRA capital schemes.

How the CFR is financed by the Council

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 2014 is as follows:

	£000
Capital Financing Requirement 31 March 2014	172,458
Financed from	
External Borrowing via PWLB	162,381
External Borrowing via Leasing arrangements	421
Use of internal balances and reserves	9,656
Total Financing of CFR	172,458

The table above shows that the Council is effectively under borrowing by £9.6m at 31 March 2014. This means that no debt charges are being incurred on £9.6m of borrowing but also means that the £9.6m is not invested in the money market. However, the cost of borrowing from the PWLB would incur interest charges that are higher than the investment interest foregone. This position is regularly monitored and reviewed in line with forecast interest rates.

PWLB Borrowing

The Council's total outstanding PWLB debt amounted to £164,752,437 at 1 April 2013. During 2013/14 an amount of £2,371,031 was repaid leaving a balance at 31 March 2014 of £162,381,406. During the current financial year no new loans have been taken out with the PWLB. The profile of the outstanding debt is analysed as follows: -

PWLB BORROWING	Maturity Profile 31 March 2013 £	Maturity Profile 31 March 2014 £
Term		
12 Months	2,371,031	0
1 - 2 years	3,324,871	3,324,871
2 - 5 years	4,907,795	4,907,795
5 - 10 years	7,227,557	7,227,557
10 - 15 years	25,412,034	25,412,034
Over 15 years	121,509,149	121,509,149
Total PWLB Debt	164,752,437	162,381,406

PWLB Interest

The interest cost to the Council of the PWLB debt for 2013/14 is shown in the table below. The cost is split between the HRA and General Fund based on the level of debt outstanding within the CFR.

Date	Amount Paid to PWLB £
Less Accrued Interest re 2012/13	(105,790.55)
Interest during 13/14	5,783,184.63
Plus Accrued Interest re 2013/14	101,834.68
Total Paid	5,779,228.76

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 the current year to date short term borrowing from the Council's own bank incurred interest charges of £41.43. At the 31 March 2014 the Council had no temporary borrowing.

Temporary Investments

The tables below detail the short term investments made at various times during the financial year 2013/14: -

Bank Name	B/Fwd 01/04/13 £,000	Amount Invested 2013/14 £,000	Amount Returned 2013/14 £,000	Balance Invested 31/03/14 £,000
Natwest	1,221	9,265	(10,485)	1
Bank of Scotland	5	43,506	(42,895)	616
Santander	3	19,562	(19,550)	15
Prime Rate	0	3,420	(3,420)	0
Ignis	0	31,537	(31,537)	0
Total	1,229	107,290	(107,887)	632

From the table above it can be seen that the balance invested by the Council at 31 March 2014 is £0.632m. Interest earned from temporary investments (included in the amount invested column in the above table) during 2013/14 amounted to £36,464 and is detailed in the table below.

Below is a table showing the interest received during 2013/14:-

Bank Name	Amount Received
Co-op Bank	(78.20)
Nat West Bank	(14,960.11)
Bank of Scotland	(6,488.52)
Santander	(12,456.15)
Prime Rate	(105.44)
IGNIS	(2,375.98)
Total	(36,464.40)

Overnight Investments

The balance of the daily surplus funds can be placed as overnight investments with the Council's bank which is the Co-operative Bank. The maximum amount invested with the Co-Operative Bank in the financial year was £0.928m. There has been no breach of the £3m limit set in the Treasury Management Strategy.

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 2013/14	Set Limits 2013/14
Authorised Limit (total Council external borrowing limit)	172,458,067	183,400,000
Operational Boundary	162,381,407	178,400,000