

**NEDDC 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: -

	<b>Current Budget 2016/17 £000's</b>	<b>Actual Outturn 2016/17 £000's</b>
Capital Financing Requirement 1 April 2016	173,509	171,145
Prudential Borrowing Gen Fund – Vehicle Replacement	353	322
Prudential Borrowing HRA – North Wingfield Scheme	1,184	0
Leasing Repayments	(5)	(5)
Minimum Revenue Provision (MRP)	(1,062)	(1,009)
Net repayment of other debt	(162)	(171)
Prudential Borrowing Gen Fund - Financing of Loan to Rykneld Homes	866	832
HRA Debt Repayment per business plan	(4,300)	(4,300)
Repayment of Allowable Debt	(750)	(1,329)
<b>Capital Financing Requirement 31 March 2017</b>	<b>169,633</b>	<b>165,485</b>

The overall position shows a net decrease of outstanding debt of £5.660m during the year. This is the result of prudential borrowing undertaken during the year being lower than forecast.

The actual CFR position also reflects the Council's financing of the approved General Fund loan to Rykneld Homes (£0.832m) and the repayment of allowable debt. 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 known as the allowable debt calculation. It is good practice 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 2017</b>	<b>£000's</b>
General Fund	12,141
Housing Revenue Account	153,344
<b>Total CFR</b>	<b>165,485</b>

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:

<b>HRA “Headroom” calculation</b>	<b>£000’s</b>
Housing Revenue Account – Debt Ceiling	178,984
Housing Revenue Account CFR 31 March	153,344
<b>Unadjusted Headroom at 31 March 2017 =</b>	<b>25,640</b>
Adjusted for the HRA Debt Repayment Provision (self financing) =	(18,800)
<b>Adjusted Headroom at 31 March 2017 =</b>	<b>6,840</b>

The above table shows that the Council’s HRA has a headroom figure of £6.840m at 31 March 2017. The forecast position of the headroom for 2017/18 is as follows:

<b>HRA “Headroom” projected calculation</b>	<b>£000’s</b>
Housing Revenue Account – Debt Ceiling	178,984
Housing Revenue Account CFR 31 March	153,344
Increase in Borrowing in year	3,214
Debt Repayment HRA business plan	(4,300)
Allowable Debt Repayment	(750)
<b>HRA CFR 31 March 2018</b>	<b>151,508</b>
<b>Estimated Headroom at 31 March 2018 =</b>	<b>27,476</b>
Adjusted for the HRA Debt Repayment Provision (self financing) =	(23,100)
<b>Adjusted Estimated Headroom at 31 March 2018 =</b>	<b>4,376</b>

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 2017 is as follows:

	<b>£000’s</b>
Capital Financing Requirement 31 March 2017	165,485
Financed from	
External Borrowing via PWLB	155,451
External Borrowing via Leasing arrangements	0
Use of internal balances and reserves	10,034
<b>Total Financing of CFR</b>	<b>165,485</b>

The table above shows that the Council is effectively under borrowing by £10.034m at 31 March 2017. This means that no debt charges are being incurred on £10.034m of borrowing but also means that the £10.034m 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 £156.753m at 1 April 2016. During 2016/17 an amount of £1.302m was repaid leaving a balance at 31 March 2017

of £155.451m. 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: -

<b>PWLB BORROWING</b>	<b>Maturity Profile 31 March 2016 £000's</b>	<b>Maturity Profile 31 March 2017 £000's</b>
<b>Term</b>		
12 Months	1,302	1,302
1 - 2 years	1,302	3,303
2 - 5 years	4,911	3,813
5 - 10 years	21,538	21,429
10 - 15 years	18,470	20,467
Over 15 years	109,230	105,137
<b>Total PWLB Debt</b>	<b>156,753</b>	<b>155,451</b>

### **PWLB Interest**

The interest cost to the Council of the PWLB debt for 2016/17 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.

<b>Date</b>	<b>Amount Paid to PWLB £000's</b>
Less Accrued Interest re 2015/16	(51)
Interest Paid during 2016/17	5,588
Plus Accrued Interest re 2016/17	50
<b>Total Paid</b>	<b>5,587</b>

### **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. No interest charges from short term borrowing were incurred during the year. At the 31 March 2017 the Council had no temporary borrowing.

### **Temporary Investments**

The tables below detail the short term investments made at various times during the financial year 2016/17: -

<b>Bank Name</b>	<b>B/Fwd 01/04/16 £000's</b>	<b>Amount Invested 2016/17 £000's</b>	<b>Amount Returned 2016/17 £000's</b>	<b>Balance Invested 31/3/17 £000's</b>
Natwest	19	20,601	(20,600)	20
Bank of Scotland	0	0	(0)	0
Santander	21	9,001	(9,000)	22
Standard Life	0	7,510	(2,510)	5,000
Federated	3,500	7,515	(6,015)	5,000
<b>Total</b>	<b>3,540</b>	<b>44,627</b>	<b>(38,125)</b>	<b>10,042</b>

From the table above it can be seen that the balance invested by the Council at 31 March 2017 is £10.042m. Interest earned from temporary investments (included in the amount invested column in the above table) during 2016/17 amounted to £28,016.84 and is detailed in the table below.

Below is a table showing the interest received during 2016/17:-

<b>Bank Name</b>	<b>Amount Received £000's</b>
Nat West Bank	(1)
Bank of Scotland	0
Santander	(2)
Standard Life	(10)
Federated	(15)
<b>Total</b>	<b>(28)</b>

### **Overnight Investments**

The maximum amount invested with Lloyds Bank in the financial year was £4.938m. There has been no breach of the £5m 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.

	<b>Actual 2016/17 £000's</b>	<b>Set Limits 2016/17 £000's</b>
Authorised Limit (total Council external borrowing limit)	175,485	179,633
Operational Boundary	170,485	174,633