

NEDDC Treasury Management Activity 2018/19**Capital Financing Requirement**

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 2018/19 and the actual outturn CFR are shown in the table below: -

	Current Budget 2018/19 £000's	Actual Outturn 2018/19 £000's
Capital Financing Requirement 1 April 2018	193,183	186,580
Prudential Borrowing Gen Fund – Vehicle Replacement	1,116	315
Prudential Borrowing HRA – North Wingfield Scheme	275	908
Prudential Borrowing HRA – Pine View, Danesmoor Scheme	0	23
Minimum Revenue Provision (MRP)	(987)	(960)
Net repayment of other debt	(2)	(1)
Prudential Borrowing Gen Fund - Financing of Loan to Rykneld Homes	(2,667)	(1,012)
Repayment of Allowable Debt	(750)	(1,929)
Capital Financing Requirement 31 March 2019	190,168	183,924

The overall position shows a net decrease in outstanding debt of £2.656m during the year.

The actual CFR position also reflects the Council's 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 self-financing settlement in 2012. 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:

Capital Financing Requirement at 31 March 2019	£000's
General Fund	11,444
Housing Revenue Account	172,480
Total CFR	183,924

Changes to the HRA Debt Cap

In October 2018 the legislation that capped the amount of HRA debt a local housing authority could hold was revoked with immediate effect. The capital financing requirements relating to the HRA will remain the same so there will still be no requirement for an MRP and levels of debt will be managed through prudential borrowing

limits controlled by the Treasury Management Strategy approved by Council in February 2019. This is to ensure that all additional borrowing is prudent and affordable within the context of the HRA and should include:

- affordability over the life of the 30 year business plan;
- a clear case for demand/need in the district;
- generation of additional income.

Removing the debt cap and not having a statutory requirement to make a provision to repay debt presents a significant risk to the HRA. Very careful treasury management is needed to ensure that the Council's HRA borrowing remains affordable, prudent and reasonable and that the HRA remains sustainable over the long term.

How the CFR is financed by the Council

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 2019 is as follows:

	£000's
Capital Financing Requirement 31 March 2019	183,924
Financed from	
External Borrowing via PWLB	150,846
Use of internal balances and reserves	33,078
Total Financing of CFR	183,924

The table above shows that the Council is effectively under borrowing by £33.078m at 31 March 2019. This means that no debt charges are being incurred on £33.078m of borrowing but also means that the funds are not being 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 £154.149m at 1 April 2018. During 2018/19 an amount of £3.303m was repaid leaving a balance at 31 March 2019 of £150.846m. During 2018/19 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 2018	Maturity Profile 31 March 2019
Term	£000's	£000's
12 Months	3,303	1,304
1 - 2 years	1,304	304
2 - 5 years	2,620	6,420
5 - 10 years	25,412	25,402
10 - 15 years	24,420	28,326
Over 15 years	97,090	89,090
Total PWLB Debt	154,149	150,846

PWLB Interest

The interest cost to the Council of the PWLB debt for 2018/19 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 £000's
Less Accrued Interest re 2017/18	(50)
Interest Paid during 2018/19	5,419
Plus Accrued Interest re 2018/19	46
Total Paid	5,415

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 2019 the Council had no temporary borrowing.

Temporary Investments

The tables below detail the short term investments made at various times during the financial year 2018/19: -

Bank Name	Duration of Loan	B/Fwd 01/04/18 £000's	Amount Invested 2018/19 £000's	Amount Returned 2018/19 £000's	Balance Invested 31/3/19 £000's	Interest Received 31/3/19 £000's
Santander	Call	25	9,010	(9,000)	35	(10)
Handelsbanken	Call	0	17,005	(17,000)	5	(5)
Federated Fund 3	Call	2,500	3,019	(2,519)	3,000	(19)
Federated GBP 3	Call	2,000	16	(16)	2,000	(16)
Aberdeen Standard	Call	0	11,026	(6,026)	5,000	(26)
CCLA Public Sector Deposit Fund	1 Day Call	0	5,008	(8)	5,000	(8)
King & Shaxson	1 Year	2,268	1,002	(2,270)	1,000	(2)
West Dunbartonshire Council	1 Year	4,000	18	(4,018)	0	(18)
Eastleigh Borough Council	3 Months	0	1,001	(1)	1,000	(1)
Lancashire County Council	1 Year	2,000	2,021	(2,021)	2,000	(21)
Cheshire East Borough Council	14 months	1,000	9	(9)	1,000	(9)
Total		13,793	49,135	(42,888)	20,040	(135)

Overnight Investments

The maximum amount invested with Lloyds Bank in the financial year was £4.983m. 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.

	Actual	Set Limits
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	2018/19 £000's	2018/19 £000's
Authorised Limit (total Council external borrowing limit)	193,924	205,168
Operational Boundary	188,924	195,168