REPORT TO:	**FINANCE AND MANAGEMENT COMMITTEE (SPECIAL – FINAL ACCOUNTS)**	**AGENDA ITEM: 6**
DATE OF MEETING:	**21st JUNE 2016**	**CATEGORY: DELEGATED**
REPORT FROM:	**DIRECTOR OF FINANCE AND CORPORATE SERVICES**	**OPEN** **DOC**: u/ks/treasury management/annual reports/2015-16
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SUBJECT:	**TREASURY MANAGEMENT ANNUAL REPORT 2015/16**	**REF:**
WARD (S) AFFECTED:	**ALL**	**TERMS OF REFERENCE: FM 08**

1.0 Recommendations

1.1 That the Treasury Management Annual Report for 2015/16 is approved.

1.2 To note the Treasury Management Stewardship Report and Prudential Indicators for 2015/16 (as detailed in **Appendix 1**) and that the Council complied fully with all requirements.

1.3 That the Statement on the Minimum Revenue Provision for 2015/16 as detailed in Section 5, is recommended to Council for approval.

2.0 Purpose of Report

2.1 To detail the Council's borrowing and lending for 2015/16 compared to the approved strategy, including performance against the prudential indicators. This is in accordance with the Local Government Act 2003 and associated regulations.

3.0 Executive Summary

3.1 The Council's borrowing and investment strategy for the year was to focus on:

- Meeting the Council's cash flow requirements through the investment strategy.

- Keeping under review the HRA debt position and in particular the variable rate borrowing.

3.2 It was anticipated that there would be no requirement to enter into any new external borrowing given that the Council's cash flow and reserves position was forecast to remain healthy. Indeed, the Council's cash flow remained positive throughout the year and there was no new borrowing, including on a temporary basis.

3.3 As financial monitoring reports throughout the year highlighted, the main Bank of England Base Rate remained at 0.5%. This rate has remained unchanged since March 2009.

3.4 As expected, this continued to limit the amount of interest earned on short term investments and bank deposits. Although interest rates remained low, together with further limitations being placed on approved counterparties, interest received was above that estimated due to the higher level of cash and reserves on deposit during the year.

3.5 In undertaking its treasury management functions during the year, the Council managed its activities within its prudential indicators and approved lending policy.

4.0 <u>Economic Overview</u>

4.1 Following two consecutive years of steady growth, the UK economy showed signs of slowing in 2015/16. Several economic commentators have been concerned about the underlying ability of sustained growth.

4.2 Both interest rates and inflation remain at historically low levels. During the second half of the year, the main growth indicator (the *Gross Domestic Product or GDP*) did signal a slowdown and this has led to some pessimism in financial markets.

4.3 The Monetary Policy Committee (MPC) at the Bank of England continues to keep the Bank Base Rate at 0.5%. The policy of maintaining the interest rate at a low level is designed to increase growth by boosting expenditure. However, this needs to be balanced against rates being raised too high, too early, so that economic productivity is not adversely affected.

4.4 In continuing this policy of maintaining a low Base Rate, the MPC noted that at 0.3% in April 2016, CPI inflation remained well below the Government’s target of 2%. During 2015/16, CPI was actually negative for 2 months but has since slowly increased to the current rate. The rate has been influenced by unusually low prices in fuel and foodstuffs over the last year.

4.5 The MPC has also been monitoring global oil prices and the Chinese economy, which both impact on the UK economy. Oil prices dropped fairly significantly during the year but have recently risen again, although there is still much debate between oil producing countries about supply.

4.6 The MPC remains concerned with increasing interest rates too soon whilst prices remain low and long-term productivity remains uncertain.

4.7 In addition, there has also been a steady reduction in the value of the Pound against the US Dollar and the Euro. Although this is beneficial for UK exporters, it signals that currency investors are shying away from the Pound due to concerns over the underlying strength of the UK economy.

4.8 The overall situation remains uncertain. Given this, it is unlikely that the Base Rate will increase now before the middle of 2017. It is then forecast to rise incrementally to 2% over a two to three year period. The prognosis for inflation is less certain and this could affect these forecasts for interest rate rises.

4.9 However, the biggest focus now is the outcome of the referendum on whether the UK should remain in, or exit, the European Union (EU). There has been much debate on the potential implications on the UK economy leading up to the vote, especially if the result of the vote is to exit. The MPC's projections are on an assumption that the UK continues its EU membership.

The Banking Sector – Bail-in Update

4.10 There were no main changes to the bail-in framework which was first introduced during 2013. However, following the EU's Bank Resolution and Recovery Directive, which became effective from January 2015, the Bank of England made a change to its Resolution Strategy to comply with this Directive.

4.11 This change was introduced from December 2015. Effectively, the bank of England clarified that banks and building societies with less than £15 to £25 billion of assets are unlikely to be bailed-in and will be allowed to go insolvent instead.

4.12 This strategy has two main impacts on the potential losses for wholesale depositors such as local authorities. On the plus side, in an insolvency situation, the regulator will not need to bail-in an additional amount to convert equity to the continuing bank. Therefore, losses may be smaller.

4.13 However, the process associated with insolvency usually takes much longer than a bail-in to complete. Therefore, depositors are likely to lose access to their entire investment initially and only be repaid in stages as the insolvency proceeds.

4.14 There are 2 institutions on the Council's Counterparty List that fall below the lower end of the £15 to £25 billion threshold. The Council does not currently make any deposits with these institutions as they are classed as "non-specified" (more risky) investments in the Council's Lending Policy.

5.0 Detail

Borrowing During 2015/16

5.1 As planned, the Council's did not enter into any new borrowing during the year.

The Council's Cash Flow in 2015/16

5.2 The Council's cash flow can fluctuate on a daily basis depending on the timing of income and expenditure.

5.3 At certain times of the year, the Council may need to borrow to cover shortfalls on a temporary basis, whilst when cash flow is positive any surplus funds are invested on a temporary basis. However, the Council still has a long-term underlying need to borrow. This is based on historical borrowing allocations which were financed internally.

5.4 For several years the Council has not undertaken any form of new long-term borrowing to finance General Fund capital expenditure but has funded this from other sources such as government grants and external funding, together with "internal" borrowing from reserves and balances.

5.5 This is a result of the Council having, over recent years, generated substantial receipts for which expenditure is then spread over a number of years, e.g. Section 106 contributions, partnership funding received in advance, together with general capital receipts.

5.6 In addition, the Council's general level of both allocated and non-allocated reserves has remained sufficiently high to enable internal borrowing. This is generally a more efficient means of borrowing as interest costs are avoided, especially when investment returns are also low. However this does require the overall level of reserves and balances to remain at a level to enable sufficient coverage.

5.7 The Council's long term borrowing of £58.423m remained unchanged during the year. This borrowing relates to the HRA and comprises mainly fixed rate borrowing.

5.8 The Council invests its balances and reserves over the year generating interest for the General Fund and Housing Revenue Accounts. In addition, the Council is generally able to collect its main income in the form of Council Tax and Business Rates before it is spent or re-distributed. This is invested on a short-term basis and generates a return for the Council.

5.9 Overall, the Council continued to have a positive cash flow position in 2015/16 with no requirement to borrow on a short-term basis. However, given the low level of interest rates, the financial benefit in the form of interest earned was low.

5.10 The Council's cash balances remained high throughout the year. The start of year balance was £12m and averaged £15.3m during the year. As at 31st

March 2016, the Council had £11m on short-term deposit, all with other local authorities.

Interest Rates

5.11 For the 7th consecutive year, the main bank base rate as set by the Bank of England remained at 0.5% throughout 2015/16. It has been at this level since 5th March 2009.

5.12 During 2015/16, the Council received more interest than estimated despite the average interest rate earned being below the market average. In accordance with the Lending Policy, tight investment criteria remained in place. This is aimed at keeping funds secure and liquid, rather than prioritising yield.

5.13 The Council's benchmark, as approved in the Treasury Management Strategy, is to achieve the average 7-day market rate over the year.

5.14 This was not achieved during 2015/16 with the average investment rate being 0.32%, compared to a market average of 0.50%. The average rate earned from the Government's Debt Management Office (DMO) was 0.25%, whilst that earned from other local authorities was 0.47%.

5.15 Funds are placed predominantly with the Government's Debt Management Office, instant access bank accounts and other local authorities. Although these are the safest form of deposit available and are "guaranteed," interest rates tend to be lower than the market average.

Temporary Borrowings

5.16 The Council was not required to undertake any temporary borrowings during 2015/16.

5.17 The Council holds money on deposit for 2 Parish Councils. This money is classed as temporary as it can be recalled on immediate notice. Traditionally, parishes have placed funds with the Council to ensure security and liquidity of their funds.

5.18 The Council pays 1% below the prevailing Bank of England Base rate. As this rate was 0.5% throughout the year, no interest payments were made. Total money deposited by Parishes remained at £27,700 throughout the year.

5.19 This facility offered to parishes has no significant impact upon the overall treasury management operations of the Council.

Budgetary Implications

5.20 The level of interest actually received and paid is accounted for in the General Fund. A proportion of this is then recharged into the HRA under a statutory calculation to recognise that some interest on investments is attributable to Council Housing.

5.21 The actual interest received was £65,425 compared to a budget of £39,000. Of the total interest received, £18.158 was transferred to the HRA.

Interest Paid

5.22 The Council paid interest during the year on the HRA debt outstanding. This is shown in the following table, with a comparison to the amount estimated.

Interest Type	Principal £	Interest Rate %	Interest Paid £	Estimate £
Variable	10,000,000	0.71%	70,663	172,000
Fixed	10,000,000	2.70%	270,000	270,000
Fixed	10,000,000	3.01%	301,000	301,000
Fixed	10,000,000	3.30%	330,000	330,000
Fixed	10,000,000	3.44%	344,000	344,000
Fixed	7,423,000	3.50%	259,805	259,805
	57,423,000		**1,575,468**	**1,676,805**

5.23 The table shows that the total interest paid on the debt for 2015/16 was below that estimated by approximately £100,000. This was due to the interest on the variable rate loan being at 0.71%. This rate was estimated to rise to 1.75% during the year when the HRA budget was set for 2015/16.

Investments 2015/16

5.24 The Council does not have any long-term investments but the Council is required to maintain an investment strategy covering short-term investments such as the deposit of surplus funds.

5.25 The overall strategy in the year was to effectively invest surplus funds to meet cash flow requirements within the year. In addition, there was no proposal to enter into longer term and externally managed funds.

Investment Criteria

5.26 The Council invests surplus funds in accordance with an approved policy and associated lending or counterparty list. Based on best practice, the list is split between specified and non-specified investments.

5.27 Specified investments are those with the Government's Debt Management Office and other local authorities, together with the highest rated UK financial institutions. The list is based on an assessment of a financial institution's risk to a depositor bail-in. Most organisations on the Council's list are currently rated as non-specified investments.

5.28 This does not precluded deposits being made with these particular organisations, but the amount deposited and period are limited. Generally, any Council investments in these organisations are placed in instant access reserve accounts.

Performance Indicator

5.29 As previously highlighted, the main indicator is for the return on short-term investments to meet the average 7-Day Rate, a standard measure of performance. The Council's performance for 2015/16 (with a comparison to recent years) is shown in the following table.

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
7-Day Rate (target)	0.39%	0.51%	0.62%	0.51%	0.47%	0.50%	0.50%
Actual Rate	0.72%	0.78%	0.74%	0.31%	0.33%	0.31%	0.32%

Prudential Indicators

5.30 Under a national Code of Practice for Capital Finance, the Council must set and regularly monitor Prudential Indicators. These indicators are designed to measure and place controls over the level of borrowing and capital financing during the year.

5.31 They are set following the annual budget round where the Section 151 (Chief Finance) Officer is required to provide an assessment of these indicators, their implications for the Council's spending plans and overall financial position.

5.32 The prudential system provides the flexibility for these indicators to be changed depending on local circumstances. It is the responsibility of the Section 151 Officer to advise the Council accordingly.

5.33 The indicators for 2015/16, together with further details on treasury management activity are detailed in **Appendix 1. T**he Council operated within its capital budgets and limits for external borrowing at all times during the year.

Minimum Revenue Provision (MRP)

5.34 Local authorities are required each year to "set-aside" some of their revenues as a provision to repay any borrowings or other credit arrangements. This set-aside is known as MRP and is a charge on the Council's General Fund. There is no requirement for a MRP on the HRA.

5.35 This requirement on the General Fund has existed for many years and is designed to ensure that authorities, prudently, make provision to meet their credit liabilities into the future. This was to ensure that authorities continue to make a sufficient and prudent provision in their accounts, in particular where they have made any unsupported borrowing under the Prudential System.

5.36 It is the responsibility of the Section 151 Officer to advise on the treatment of MRP and to recommend a suitable policy for adoption. Consequently, authorities are also required to prepare an annual statement on making a MRP.

The Calculation

5.37 MRP traditionally had been calculated (at a rate of 4%) based on an authority's borrowing requirement. As highlighted previously, the Council has an underlying requirement based on past borrowing approvals issued by the Government.

5.38 However, due to its strong and positive cash flow position, the Council financed this borrowing "internally." Therefore, over time, actual debt does not match the underlying requirement shown in the Council's accounts.

5.39 MRP charged into the accounts, reduces the underlying requirement as it is repaying the resources used internally (on a cash basis) to repay borrowing allocations.

5.40 The calculation is designed to ensure that a "prudent" provision is made for debt repayment. This can be done through four options, which are as follows:

- **Option 1** - For debt that is supported by the Government through the grant system, authorities may continue to use the formula in current regulations (4%), since revenue support grant is calculated on that basis. Technically however, this option has been revoked, but has been maintained as a measure for capital expenditure incurred before 1st April 2008.

- **Option 2** – A simplified method of option 1 that reflects supported debt based on an authority's capital financing requirement. This method has been in place since 2004 when the Prudential System was first introduced.

- **Option 3** – The method to use for new borrowing under the Prudential System for which no Government support is given, MRP being based on the life of the asset being purchased.

- **Option 4** – As above, but MRP relates to the depreciation charge on the asset purchased.

Effect on South Derbyshire

5.41 The Council is operating under Option 2. Technically, the Council has been debt free under these regulations since 2004 (having repaid its actual borrowings). In addition, it has not entered into any new external borrowing in recent years to finance its capital expenditure on the General Fund.

5.42 However, during 2013/14, internal borrowing of approximately £850,000 as undertaken to finance the purchase of the receptacles to extend kerbside recycling. It was approved that this borrowing would be repaid by charging a Voluntary Revenue Provision (VRP) in the General Fund. This provision is being made over the life of the assets purchased under the Prudential System, i.e. Option 3

Proposed Council Statement on MRP

5.43 The Council still has an assumed level of debt (or capital financing requirement) that is being subsidised through grant. Therefore, given no actual debt outstanding on the General Fund together with no unsupported borrowing, it is recommended that "prudence" is best achieved by continuing to provide a MRP under **Option 2** for supported borrowing.

5.44 As regards unsupported borrowing, it is recommended that prudence is best achieved by providing a VRP under **Option 3** to reflect the life of the assets purchased for the kerbside recycling service.

5.45 It is recommended that this policy be endorsed for 2015/16 and adopted for 2016/17. This requires no change from previous years and the necessary MRP and VRP calculated under these methods, have been included in the Council's accounts for 2015/16 and Base Budget for 2016/17. Future amounts have been provided for in the Medium-Term Financial Plan to 2021.

5.46 This Policy will be kept under review depending on the Council's future capital expenditure and financing requirements. Any proposed changes will be reported as necessary to this Committee for consideration and recommendation to Council. The impact on the MRP will be considered in any decision to enter into any borrowing under the Prudential System.

6.0 Financial Implications

6.1 As highlighted above, there are no additional financial implications for the Council regarding the proposed Policy on MRP. The MRP made in 2015/16 was £232,424 and VRP of £131,226.

7.0 Corporate Implications

7.1 None directly.

8.0 Community Implications

8.1 None directly.

9.0 Background Papers

9.1 Local Government Act 2003 and associated Statutory Instruments detailing regulations and amendments under the Local Authorities (Capital Finance and Accounting England Regulations) of 2003.

Appendix 1

ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND PRUDENTIAL INDICATORS 2015/16

1.0 Introduction

1.1 The annual treasury report summarises:

- Confirmation of compliance with Treasury Limits and Prudential Indicators
- Capital activity for the year and how this was financed
- The Council's overall treasury position
- The reporting of the required Prudential Indicators
- Summary of interest rate movements in the year
- Debt and investment activity

2.0 Regulatory Framework, Risk and Performance

2.1 The Council's treasury management activities are regulated through statute and codes of practice. Statutory provisions are contained in the Local Government Act 2003, which provides the powers to borrow and invest as well as providing controls and limits on this activity.

2.2 The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing that may be undertaken; no new restrictions were made in 2015/16.

2.3 Amended regulations develop the controls and powers within the Act and require the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities. It also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services.

2.4 Under the Act the Government have also issued Investment Guidance to structure and regulate the Council's investment activities.

2.5 The Council has complied with all of the requirements, which limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means capital expenditure has to prudent, affordable, sustainable and its treasury practices demonstrate a low risk approach.

2.6 There is minimal risk of volatility of costs for current debt as over 80% of the debt is at fixed interest rates.

2.7 Due to the potential volatility of short-term interest rates, this affects the Council's investment return. These returns are changeable and whilst the risk of loss of principal is minimal through the investment strategy, accurately forecasting returns can be difficult. However, with interest rates remaining generally flat and unchanged in 2015/16, returns are more easily predicted.

3.0 The Council's Capital Expenditure and Financing 2015/16

3.1 The Council undertakes capital expenditure to maintain and develop its assets. This investment may either be financed through revenue, capital receipts, capital grants/contributions, or borrowing.

3.2 Part of the Council's treasury activities is to address the borrowing requirement, either through borrowing from external bodies, or utilising temporary cash resources within the Council (internal borrowing).

3.3 The actual capital expenditure is a key prudential indicator. The tables below show how all capital expenditure in the year was financed.

Capital Spending: Final Out-turn 2015/16

Services	Budget £	Actual £	Variance £
Council House Improvements	4,701,750	4,205,956	-495,794
Council House New Build - Phase 1	5,374,075	4,131,606	-1,242,469
Private Sector Housing Renewal	658,136	472,674	-185,462
Community and Leisure	2,998,046	2,516,236	-481,810
Environmental Development	9,900	24,157	14,257
Property, Plant and Equipment	1,353,972	466,117	-887,855
Total Spending	**15,095,879**	**11,816,746**	**-3,279,133**

Capital Financing: Final Out-turn 2015/16

Funding Source	Budget £	Actual £	Variance £
Capital Resources (Housing)	10,075,825	8,227,561	-1,848,264
External Grants and Contributions	1,994,698	2,358,771	364,073
Reserves and Amounts Set-aside	2,950,356	1,154,637	-1,795,719
Section 106	75,000	75,777	777
Total - Financing	**15,095,879**	**11,816,746**	**-3,279,133**

4.0 The Council's Overall Borrowing Need

4.1 The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). The CFR is a measure of the Council's underlying need to borrow for capital investment and is based on the value of its assets contained in the Balance Sheet.

4.2 The capital expenditure that has not been immediately paid for will increase the CFR through additional borrowing. The Council is required to pay off an element of the accumulated General Fund CFR (but not HRA) each year through a revenue charge called the Minimum Revenue Provision (MRP).

4.3 As regards unsupported borrowing, MRP will continue to be based upon the "assumed" level of debt for the General Fund as existed on introduction of the Prudential Code in 2004. Where borrowing is unsupported and has been used to finance capital under the prudential system, a VRP will be calculated based on the life of the asset and charged to revenue. The Council's CFR for the year is shown below.

Capital Financing Requirement (CFR) 2015/16	Estimate 2015/16 £'000	Actual 2015/16 £'000
CFR b/fwd 1st April 2015	68,116	68,116
Add New Borrowing (Internal)	200	185
Less Debt Repaid	0	0
Less Minimum Revenue Provision (MRP)	-232	-232
Less Voluntary Revenue Provision (VRP)	-110	-131
CFR c/fwd 31st March 2016	**67,974**	**67,938**
General Fund Proportion	6,390	6,354
HRA Proportion	61,584	61,584

5.0 Treasury Position at 31st March 2016

5.1 The treasury position at 31st March 2016 compared with the previous year is shown in the following table.

Overall Borrowing Position as at 31st March	2014/15 Principal £'000	2014/15 Average Rate	2015/16 Principal £'000	2015/16 Average Rate
Fixed Interest Rate Debt	47,423	3.17%	47,423	3.17%
Variable Interest Rate Debt	10,028	0.75%	10,028	0.71%
Total Debt	**57,451**		**57,451**	
Short-term Investments	-12,000	0.31%	-11,000	0.32%
Net Borrowing Position	**45,451**		**46,451**	

6.0 Prudential Indicators and Compliance

6.1 The prudential indicators provide an overview of and specific limits on treasury activity. The full suite of indicators for publication in accordance with the Code is detailed in **Appendix 2,** with a summary below.

a) **Borrowing and the CFR** – in order to ensure that borrowing levels are prudent over the medium term, the Council's external borrowing, net of investments, must only be for a capital purpose. Net borrowing should not have exceeded the CFR for 2015/16, plus the expected changes to the CFR over 2015/16 and 2016/17. The table below highlights the Council's gross and net borrowing position against the CFR and demonstrates that the Council has complied with this prudential indicator.

Borrowing Compared to CFR 2015/16	£'000
Gross Borrowing	57,451
Net Borrowing	46,451
CFR	67,938

b) **The Authorised Limit** – is the 'affordable borrowing limit' required by Section 3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The table (in c) below demonstrates that during 2015/16 the Council has maintained gross borrowing within its Authorised Limit.

c) **The Operational Boundary** – is based on the expected maximum external debt (as above) during the course of the year, but it is not a limit. It is designed to help the Council's Chief Finance Officer to manage treasury activity on a daily basis and acts as an early warning sign of any potential issues.

Authorised Limit and Operational Boundaries 2015/16	£'000
Authorised Limit	73,207
Operational Boundary	62,636
Gross Borrowing as at 31/03/2016	57,451

d) **HRA – Limit on Indebtedness** – under self-financing, the HRA debt pool has been set a cap over which no borrowing is allowed. This is prescribed by the Government and is fixed. The cap is shown in the following table with a comparison to the CFR and the level of actual debt on the HRA.

HRA Limit on Indebtedness 2015/16	£'000
HRA Debt Cap (Fixed)	66,853
HRA CFR	61,584
Difference	**5,269**
HRA Debt	57,451
Borrowing Headroom (Cap less Debt)	**9,402**

e) **Actual Financing Costs as a Proportion of Net Revenue Stream** – this identifies the trend in the cost of capital (borrowing and other long-term credit obligations, net of investment income) against the net revenue stream, i.e. money raised from Council Tax and Housing Rents.

Financing Ratios	Budget £	Actual £
General Fund		
Council Tax Income	4,598,852	4,598,852
Net Interest	-£39,000	-£65,425
Proportion	**-0.85%**	**-1.42%**
HRA		
Rent Income	12,643,000	12,612,124
Net Interest	1,676,805	1,575,468
Proportion	**13.26%**	**12.49%**

APPENDIX 2

PRUDENTIAL INDICATORS 2015/16

Capital Spending: Final Out-turn 2015/16

	Estimate £	Actual £
Council House Improvements	4,701,750	4,205,956
Private Sector Housing Renewal	658,136	472,674
Community and Leisure	2,998,046	2,516,236
Environmental Development	9,900	24,157
Property, Plant and Equipment	1,353,972	466,117
Total Spending	**9,721,804**	**7,685,140**

Capital Financing: Final Out-turn 2015/16

	Estimate £	Actual £
Capital Resources (Housing)	10,075,825	8,227,561
External Grants and Contributions	1,994,698	2,358,771
Reserves and Amounts Set-aside	2,950,356	1,154,637
Section 106	75,000	75,777
Total - Financing	**15,095,879**	**11,816,746**

External Debt

	£'000	£'000
Debt 1st April	57,451	57,451
New Debt	200	185
Maturing Debt	0	0
Debt 31st March	**57,451**	**57,636**
Annual Change in Debt	0	-185
Long-term Investments	0	0
Short-term Investments	-12,000	-11,000

Limits compared to Actual Debt

Authorised Limit - General Fund	6,390	6,354
Authorised Limit - HRA (Fixed Debt Cap)	66,853	66,853
Total Financing Requirement (CFR)	67,974	67,938
Operational Boundary	62,451	62,636
Gross Debt	57,451	57,636
Debt Less Investments	45,451	46,451

General Fund - Net Indebtedness

Capital Financing Requirement (CFR)	6,390	6,354
Less: Reserves	-10,234	-15,232
Net Indebtedness	**-3,844**	**-8,878**

HRA Limit on Indebtedness

HRA Debt Cap	66,853	66,853
HRA Capital Financing Requirement (CFR)	61,584	61,584
Difference	**5,269**	**5,269**
HRA Debt	57,451	57,451
Borrowing Headroom	**9,402**	**9,402**

Interest Payable and Receivable

General Fund	**£'000**	**£'000**
Interest Payable	0	0
Interest Received	-39,000	-65,425
HRA		
Interest Payable	1,676,805	1,575,468
Interest Received	-16,000	-18,158

Capital Financing Requirement (CFR)

CFR b/fwd	68,116	68,116
Add Net Financing	200	185
Less MRP	-232	-232
Less VRP	-110	-131
Less Loan Repayments	0	0
CFR c/fwd	**67,974**	**67,938**
General Fund Proportion	6,390	6,354
HRA Proportion	61,584	61,584

Cost of Servicing Debt

Net Interest Received - Gen Fund	-£39,000	-£65,425
Tax Base - Band D Properties	30,608	30,608
Cost per Band D Property	**-£0.78**	**-£0.47**
Net Interest Paid - HRA	£1,676,805	£1,575,468
Number of Council Dwellings	2,972	2,972
Annual Cost per Dwelling	**£564.20**	**£530.10**

Financing Ratios

General Fund		
Council Tax Income	£4,598,852	£4,598,852
Net Interest	-£39,000	-£65,425
Proportion	**-0.85%**	**-1.42%**
HRA		
Rent Income	£12,643,000	£12,612,124
Net Interest	£1,676,805	£1,575,468
Proportion	**13.26%**	**12.49%**

Usable Reserves

General Fund	5,787	6,929
Earmarked Reserves	4,476	8,303
HRA	2,067	1,425
Capital Receipts and Reserves	2,873	5,251
Total Usable Reserves	**15,203**	**21,908**

Revenue Reserves

General Fund	5,787	6,929
Earmarked Reserves	4,476	8,303
HRA	2,067	1,425
Total Revenue Reserves	**12,330**	**16,657**