REPORT TO:	**FINANCE AND MANAGEMENT COMMITTEE (SPECIAL – FINAL ACCOUNTS)**	**AGENDA ITEM: 6**
DATE OF MEETING:	**25th JUNE 2015**	**CATEGORY: DELEGATED**
REPORT FROM:	**Director of Finance & Corporate Services**	**OPEN**
MEMBERS' CONTACT POINT:	**KEVIN STACKHOUSE (01283 595811)** **Kevin.stackhouse@south-derbys'gov.uk**	**DOC**: u/ks/treasury management/annual reports/2014-15
SUBJECT:	**TREASURY MANAGEMENT ANNUAL REPORT 2014/15**	**REF:**
WARD (S) AFFECTED:	**ALL**	**TERMS OF REFERENCE: FM 08**

1.0 Recommendations

1.1 That the Treasury Management Annual Report for 2014/15 is approved.

1.2 To note the Treasury Management Stewardship Report and Prudential Indicators for 2014/15 (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 2014/15 as detailed in Section 5, is recommended to Council for approval.

2.0 Purpose of Report

2.1 To detail the Council's actual borrowing and lending for 2014/15 compared to the approved strategy, including performance against its 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 required that its cash flow requirements were managed through short-term borrowings and bank deposits. Overall, the Council's cash flow remained positive throughout the year.

3.2 As financial monitoring reports throughout the year highlighted, the main Bank of England Base Rate remained at 0.5% throughout the year. This continued to limit the amount of interest earned on short term investments and bank deposits.

3.3 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 Council cash and reserves on deposit during the year.

3.4 During the year, the Council repaid the outstanding Money Market Loan (as detailed in Section 5) but there were no other significant transactions regarding borrowing.

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 Economic Overview

4.1 The Office for Budget Responsibility (OBR) is the body appointed to provide independent analysis of the Country's public finances. During the year, they reported that 2014/15 continued to see growth in the UK's economy although this had slowed by the end of the financial year.

4.2 During 2014/15, unemployment also continued to fall, although wage and productivity growth was low and this led to less tax revenue being received by the Treasury. Consequently, the national budget deficit did not reduce as much as anticipated.

4.3 The main issue continues to be the sustainability of growth. The fall in the level of unemployment during the year was due to spare capacity in the economy, which may not be on-going.

4.4 As the year closed, there was some concern around the economies of the UK's main trading partners which were still experiencing more difficult times. It is considered that the knock on effect could affect demand and stall growth in the UK.

4.5 Against this background, inflation continued to fall to record low levels, with the CPI rate being zero by March 2015. Due to the delicate balance of these factors and the potential effect on the longer-term UK economy, the Bank of England Base Rate remained at 0.5% for the 6th consecutive year.

The Banking System

4.6 During 2014/15, the impact of tighter banking regulations in the UK became apparent. In particular, the principle of general depositor bail-ins replacing Government backed bail-outs, saw many financial institutions restructuring, under-going stress tests and having their credit ratings reduced.

4.7 Against this background, the Council reviewed and changed its approach to lending and its Counterparty List was subsequently reviewed several times in the year. This was to reflect the changing circumstances to ensure that Council deposits remained safe and secure.

5.0 <u>Detail</u>

Borrowing During 2014/15

5.1 The Council's approved borrowing strategy for 2014/15 was:

- To manage its cash flow requirements through short-term borrowings and bank deposits

- That in accordance with capital investment requirements, no longer-term borrowing was to be undertaken in the year

- That the one remaining Money Market loan of £1m be repaid should the Lender invoke their option to increase the interest rate.

The Council's Cash Flow in 2014/15

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 started 2014/15 with total long term borrowing of £58.423m relating to the HRA, comprising mainly of 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 2014/15 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 with the average daily cash balance being £14.8m. As at 31st March, the Council had £12m on short-term deposit, all with other local authorities.

Interest Rates

5.11 For the 6th consecutive year, the main bank base rate as set by the Bank of England remained at 0.5% throughout 2014/15. It has been at this level since 5th March 2009.

5.12 During 2014/15, 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 2014/15 with the average investment rate being 0.31%, compared to a market average of 0.50%.

5.15 This is because 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 are lower than the market average.

Temporary Borrowings

5.16 The Council was not required to undertake any temporary borrowings during 2014/15.

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 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 just over £55,000 compared to a budget of £48,750. Of the total interest received, £7,600 was transferred to the HRA.

Interest Paid

5.22 In addition, the Council paid interest during the year on the HRA debt outstanding as set out in the following table.

Interest Paid 2014/15	Budget £000	Actual £000	Variance £000
Interest – Self Financing Debt	1,574,805	1,558,161	-16,644
Interest – Money Market Loan	51,750	24,402	-27,348
Early Termination Payment	0	242,959	242,959
TOTAL	**1,626,555**	**1,825,522**	**198,967**

Money Market Loan

5.23 This loan was at a fixed rate 4.875%, maturing in 2032 with interest payments of £48,750 per year.

5.24 The loan contained a break clause, whereby the lender had the option of reviewing the interest rate at any time and increasing it if they so wished.

5.25 However, the Council then had the option of rejecting this and instead choosing to repay without incurring any penalty.

5.26 The Strategy was that should the lender exercise their option to increase the interest rate, the loan should be repaid at that time.

5.27 During 2014/15, the lender approached the Council to see what price it was willing to pay to repay the loan early. Following recent bank restructurings, the Bank was effectively being directed, under regulation, to clear loan instruments such as these.

5.28 Therefore, the Council's treasury advisors negotiated a deal for the Council to buy-out the loan early. The price negotiated had to be at such a level that savings in interest in later years were greater than the early termination fee.

5.29 Agreement was reached and the loan was repaid on 2nd October 2014. The termination fee was £242,959.

5.30 The saving in interest over the remaining life of the loan is approximately £828,000 (17 years at £48,750) with "pay-back" within 5 years. The principal repaid has been financed within the HRA's Capital Financing Requirement.

Investments 2014/15

5.31 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.

5.32 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

5.33 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.

5.34 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.

5.35 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

5.36 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 2014/15 (with a comparison to recent years) is shown in the following table.

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
7-Day Rate (target)	3.57%	0.39%	0.51%	0.62%	0.51%	0.47%	0.50%
Actual Rate	4.38%	0.72%	0.78%	0.74%	0.31%	0.33%	0.31%

Other Treasury Matters

5.37 During the year, the Council made an interest free loan of £15,000 to a parish council to enable it to meet cash flow requirements associated with a capital project. This loan was repaid in March 2015.

5.38 In addition, an interest free loan of £50,000 was made to the local Credit Union to support its operational costs. Of this, £10,000 bought the Council a corporate membership for which an annual interest dividend may be paid. The Loan is for 3 years, subject to annual review. However, at this stage, the Credit Union is still to take-up the Loan offered.

Prudential Indicators

5.39 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.

5.40 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.

5.41 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.

5.42 The actual indicators for 2014/15, 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) - Background

5.43 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.

5.44 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.

5.45 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

5.46 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.

5.47 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.

5.48 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.

5.49 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

5.50 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 borrowing in recent years to finance its capital expenditure.

5.51 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

<u>Proposed Council Statement on MRP</u>

5.52 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.

5.53 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.

5.54 It is recommended that this policy be endorsed for 2014/15 and adopted for 2015/16. 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 2014/15 and Base Budget for 2015/16. Future amounts have been provided for in the Medium-Term Financial Plan to 20120.

5.55 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 2014/15 was £242,400 and VRP of £110,670.

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 under the Local Authorities (Capital Finance and Accounting England Regulations) of 2003, 2006 and 2008.

ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND PRUDENTIAL INDICATORS 2014/15

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 2014/15.

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 2014/15, returns are more easily predicted.

3.0 The Council's Capital Expenditure and Financing 2014/15

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 2014/15

Services	**Budget £**	**Actual £**	**Variance £**
Council House Improvements	5,812,297	5,609,212	-203,085
Private Sector Housing Renewal	502,311	359,393	-142,918
Leisure and Community Schemes	2,034,452	1,441,296	-593,156
Environmental Development	13,119	8,545	-4,574
Property, Plant and Equipment	61,960	148,229	86,269
Total Spending	**8,424,139**	**7,566,675**	**-857,464**

Capital Financing: Final Out-turn 2014/15

Funding Source	**Budget £**	**Actual £**	**Variance £**
Government Grants	394,118	382,899	-11,219
External/Partnership Contributions	1,259,087	717,109	-541,978
Council Reserves/Earmarked Funds	5,927,722	5,940,690	12,968
Housing Capital Receipts	312,297	31,555	-280,742
General Capital Receipts	530,915	494,422	-36,493
Total - Financing	**8,424,139**	**7,566,675**	**-857,464**

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 (<u>but not HRA</u>) 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) 2014/15	Estimate 2014/15 £'000	Actual 2014/15 £'000
CFR b/fwd 1st April 2014	69,476	69,476
Add New Borrowing (Internal)	0	0
Less Debt Repaid	-1,000	-1,007
Less Minimum Revenue Provision (MRP)	-238	-242
Less Voluntary Revenue Provision (VRP)	-110	-111
CFR c/fwd 31st March 2015	**68,128**	**68,116**
General Fund Proportion	6,544	6,532
HRA Proportion	61,584	61,584

5.0 Treasury Position at 31st March 2015

5.1 The treasury position at 31st March 2015 compared with the previous year is shown in the following table.

Overall Borrowing Position as at 31st March	2013/14 Principal £'000	2013/14 Average Rate	2014/15 Principal £'000	2014/15 Average Rate
Fixed Interest Rate Debt	48,423	3.21%	47,423	3.17%
Variable Interest Rate Debt	10,035	0.57%	10,028	0.75%
Total Debt	**58,458**		**57,451**	
Short-term Investments	-7,029	0.31%	-12,000	0.48%
Net Borrowing Position	**51,429**		**45,451**	

6.0 Prudential Indicators and Compliance

6.1 The prudential indicators provide an overview 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 2014/15, plus the expected changes to the CFR over 2014/15 and 2015/16. 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 2014/15	£'000
Gross Borrowing	57,451
Net Borrowing	45,451
CFR	68,116

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 2014/15 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 2014/15	£'000
Authorised Limit	73,385
Operational Boundary	62,451
Gross Borrowing as at 31/03/2015	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 2014/15	£'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 obligation costs, net of investment income) against the net revenue stream, i.e. money raised from Council Tax and Housing Rents.

Financing Ratios	2013/14 £'000	2014/15 £'000
General Fund		
Council Tax Income	4,411	4,466
Net Interest	-29	-45
Proportion	**-0.66%**	**-1.01%**
HRA		
Rent Income	11,674	12,356
Net Interest	1,620	1,820
Proportion	**13.88%**	**14.73%**

APPENDIX 2

PRUDENTIAL INDICATORS 2014/15

	Estimate £'000	Actual £'000
Capital Spending: Final Out-turn 2014/15		
Council House Improvements	5,812	5,609
Private Sector Housing Renewal	502	359
Leisure and Community Schemes	2,034	1,441
Environmental Development	14	9
Property, Plant and Equipment	62	148
Total Spending	**8,424**	**7,566**

	Estimate £'000	Actual £'000
Capital Financing: Final Out-turn 2014/15		
Government Grants	394	383
External/Partnership Contributions	1,259	717
Council Reserves/Earmarked Funds	5,928	5,940
Housing Capital Receipts	312	32
General Capital Receipts	531	494
Total - Financing	**8,424**	**7,566**

	Estimate £'000	Actual £'000
External Debt		
Debt 1st April	58,458	58,458
New Debt	0	0
Maturing Debt	-1,007	-1,007
Debt 31st March	**57,451**	**57,451**
Annual Change in Debt	-1,007	-1,007
Long-term Investments	0	0
Short-term Investments	-7,029	12,000

	Estimate £'000	Actual £'000
Limits compared to Actual Debt		
Authorised Limit - General Fund	6,540	6,532
Authorised Limit - HRA	66,853	66,853
Total Financing Requirement (CFR)	68,123	68,116
Operational Boundary	62,451	62,451
Gross Debt	57,451	57,451
Debt Less Investments	49,994	45,451

	Estimate £'000	Actual £'000
General Fund - Net Indebtedness		
Capital Financing Requirement (CFR)	6,540	6,532
Estimated Reserves	9,268	14,877
Net Indebtedness	**-2,728**	**21,409**

HRA Limit on Indebtedness

HRA Debt Cap	66,853	66,853
HRA Capital Financing Requirement (CFR)	61,584	61,584
Difference	**5,270**	**5,269**
HRA Debt	57,451	57,451
Borrowing Headroom	**9,402**	**9,402**

Interest Payable and Receivable

General Fund

Interest Payable	10	3
Interest Received	-49	-48
HRA		
Interest Payable	1,627	1,826
Interest Received	-13	-8

Capital Financing Requirement (CFR)

CFR b/fwd	69,475	69,476
Add Net Financing	0	0
Less MRP	-242	-242
Less VRP	-110	-111
Less Loan Repayments	-1,000	-1,007
CFR c/fwd	**68,123**	**68,116**
General Fund Proportion	6,540	6,532
HRA Proportion	61,583	61,584

Cost of Servicing Debt

Net Interest Received - Gen Fund	-£39,000	-£45,003
Tax Base - Band D Properties	29,723	29,723
Cost per Band D Property	**-£0.76**	**-£0.66**
Net Interest Paid - HRA	£1,614,555	£1,820,293
Number of Council Dwellings	2,989	2,990
Annual Cost per Dwelling	**£540.17**	**£608.79**

Financing Ratios

General Fund

Council Tax Income	£4,465,881	£4,465,881
Net Interest	-£39,000	-£45,003
Proportion	**-0.87%**	**-1.01%**
HRA		
Rent Income	£12,374,321	£12,356,225
Net Interest	£1,614,555	£1,820,293
Proportion	**13.05%**	**14.73%**

Usable Reserves

General Fund	5,858	6,484
Earmarked Reserves	4,520	8,393
HRA	2,636	2,397
Capital Receipts and Reserves	4,852	7,234
Total Usable Reserves	**17,866**	**24,508**

Revenue Reserves

General Fund	5,858	6,484
Earmarked Reserves	4,936	8,393
HRA	2,636	2,397
Total Revenue Reserves	**13,430**	**17,274**