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| **REPORT TO:** | **FINANCE AND MANAGEMENT COMMITTEE (SPECIAL – FINAL ACCOUNTS)** | **AGENDA ITEM: 6** |
| **DATE OF MEETING:** | **22nd JUNE 2017** | **CATEGORY: DELEGATED** |
| **REPORT FROM:** | **DIRECTOR OF FINANCE and CORPORATE SERVICES** | **OPEN** |
| **MEMBERS' CONTACT POINT:** | **KEVIN STACKHOUSE (01283 595811)** **Kevin.stackhouse@south-derbys.gov.uk** | **DOC:** u/ks/treasury management/annual reports/2016-17 |
| **SUBJECT:** | **TREASURY MANAGEMENT ANNUAL REPORT 2016/17** | **REF:** |
| **WARD (S) AFFECTED:** | **ALL** | **TERMS OF REFERENCE: FM 08** |

## 1.0 Recommendations

1.1 That the Treasury Management Annual Report for 2016/17 is approved.

1.2 To note the Treasury Management Stewardship Report and Prudential Indicators for 2016/17 (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 2016/17 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 2016/17 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 In August 2016, the Bank of England's Monetary Policy Committee (MPC) voted unanimously to cut the main bank base rate from 0.5% to 0.25%, the first change since March 2009. This was in response to volatility in financial markets and the reduction in the value of sterling against other major currencies, following the outcome of the EU referendum.

3.4 This continued to limit the amount of interest earned by the Council on its short term investments and bank deposits. Although interest rates were lowered, interest received was above that estimated due to the higher level of cash and reserves on deposit during the year. In addition, the Council had some existing fixed rate deposits which were made earlier in the financial year, prior to the interest rate reduction.

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 2016/17</u>

4.1 The main event in the financial year, which impacted upon the financial markets, was the outcome of the EU Referendum in June 2017. This resulted in the UK deciding to leave the European Union. Immediately following the announcement, there was some volatility in financial markets which adversely affected the value of sterling compared to other major currencies.

4.2 In response to this, the Bank of England's Monetary Policy Committee (MPC) cut the main bank base rate from 0.5% to 0.25% and increased its asset purchase programme. This was the first change in the interest rate since March 2009.

4.3 The financial markets stabilised shortly after and the value of companies, as measured by the FTSE 100 index regained some short-term losses. By the end of the financial year, this index was operating at record highs.

4.4 Although the value of sterling also increased over the remainder of the financial year, this has been much slower and its value, compared to both the American Dollar and the Euro, is still some way below pre-referendum levels.

4.5 The main implication of the lower value against other currencies is that imports have become more expensive. This started to show through in the price of certain goods for UK consumers in the latter part of the financial year.

4.6 Consequently, between September 2016 and April 2017, the level of inflation, as measured by the Consumer Prices Index (CPI) rose from 1% to 2.7%. Over the same period, the Retail Prices Index (RPI) rose from 2% to 3.5%.

**Other Economic Indicators**

4.7 Other indicators published by the Office for National Statistics, showed the UK economy, as measured by the Gross Domestic Product (GDP) growing by 2% in the calendar year 2016, although the first quarter in 2017 showed a slowing to 0.2%.

4.8 Employment at the end of 2016/17 was at a record high with the unemployment rate at 4.6% by March 2017. Average pay increased by 2.4% in the year, although this is now falling below the increasing inflation rates.

4.9 During 2017/18, the outcome of the UK election on 8th June 2017 and the subsequent negotiations regarding Brexit are expected to dominate the financial markets.

## 5.0 Detail

**Borrowing During 2016/17**

5.1 The Council's Budget for 2016/17 had planned to borrow, by internal finance, approximately £400,000 to fund the completion of the current Council House New Build programme, pending the receipt of capital resources. Due to a higher level of capital reserves, this was not required.

5.2 No other external borrowing was required and the Council did not enter into any new borrowing, including on a temporary basis, during the year.

**The Council's Cash Flow in 2016/17**

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 on the General Fund. This is based on historical borrowing allocations which were financed internally.

5.4 For many 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 these 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 a certain degree of internal borrowing on a prudential basis. 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 The Council continued to have a positive cash flow position throughout 2016/17 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. On 1st April 2016, the Council had £11m on short-term deposit and this averaged approximately £16m during 2016/17. As at 31st March 2017, the Council had £10m on short-term deposit, all with other local authorities.

**Interest Rates**

5.11 As detailed earlier in the report, the main bank base rate as set by the Bank of England's Monetary Policy Committee was reduced to 0.25% in August 2016.

5.12 During 2016/17, the Council received more interest than estimated on its cash deposits due to higher reserves, despite the average interest rate earned generally 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 with the associated risk.

5.13 However, the average interest rate secured on those deposits as at 31st March 2017 was 0.4%, This was above the market rate (as measured by the average mid 7-day rate) of 0.36%.

5.14 Funds invested for longer periods with other local authorities are proving to be above current average rates. Where the Council deposits cash with the Government's Debt Management Office (DMO) or in overnight accounts with approved banks interest rates tend to be lower.

**Temporary Borrowings**

5.15 The Council was not required to undertake any temporary borrowings during 2016/17.

5.16 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.

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

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

**Budgetary Implications**

5.19 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.

5.20 The actual interest received was £67,912 compared to a budget of £47,000. Of the total interest received, £13,852 was transferred to the HRA.

**Interest Paid**

5.21 The Council paid interest during the year on the HRA debt outstanding. This is shown in the following table, with a comparison to that budgeted.

| Interest Type | Principal £ | Interest Rate % | Interest Paid £ | Budget £ |
|---|---|---|---|---|
| Variable | 10,000,000 | 0.65% | 64,824 | 180,950 |
| 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** | | **1,569,629** | **1,685,755** |

5.22 The table shows that the total interest paid on the debt for 2016/17 was below that estimated by over £100,000. This was due to the interest on the variable rate loan being at 0.65%. This rate was estimated to rise to 1.8% during the year when the HRA budget was set for 2016/17.

5.23 However, with the continuation of low interest rates, the rate slightly decreased in 2016/17, from 0.67% in 2015/16.

**Investments 2016/17**

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.

5.26 Except for one instance, the Council operated within its Lending Policy throughout the year. On the final operating day of the financial year (31st March 2017) a receipt of £3m was received in the Council's current account late in the trading day.

5.27 This should have been transferred to the Government's DMO account, but the transaction did not take place. Consequently, the Council had funds with one bank (£4.5m in total) above the approved limit of £2m. The bank concerned was the Council's bankers – Barclays Bank.

**Investment Criteria**

5.28 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.

5.29 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.

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

5.31 The only amendments made to the counterparty list were approved by the Committee in February 2017. Besides the DMO and other local authorities, the only named counterparty currently remaining as a specified investment is HSBC Bank.

**Performance Indicator**

5.32 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 2016/17 (with a comparison to recent years) is shown in the following table.

| | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|---|---|---|---|---|---|---|---|
| 7-Day Rate (target) | 0.51% | 0.62% | 0.51% | 0.47% | 0.50% | 0.50% | 0.36% |
| Actual Rate | 0.78% | 0.74% | 0.31% | 0.33% | 0.31% | 0.32% | 0.25% |

## Prudential Indicators

5.33 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.

5.34 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.

5.35 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.

5.36 The indicators for 2016/17, together with further details on treasury management activity are detailed in **Appendices 1 and 2.** The Council operated within its capital budgets and limits for external borrowing at all times during the year.

## Minimum Revenue Provision (MRP)

5.37 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.

5.38 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.

5.39 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

5.40 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.

5.41 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.

5.42 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.

5.43 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**

5.44 The Council is operating under Option 2. Technically, the Council has been debt free on the General Fund 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.

5.45 However, in recent years some internal borrowing has been undertaken to finance some capital expenditure. As part of the funding packages, 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**

5.46 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.

5.47 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 capital expenditure incurred.

5.48 It is recommended that this policy be endorsed for 2016/17 and adopted for 2017/18. 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 2016/17 (as detailed in 6.1, below) and its Medium-Term Financial Plan.

5.49 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 2016/17 was £223,127 and VRP of £131,226 which were as budgeted.

## 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 2016/17

## 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 2016/17.

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 be prudent, affordable, and 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 2016/17, returns are more easily predicted.

## 3.0 The Council's Capital Expenditure and Financing 2016/17

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. An overview of capital expenditure in the year and the individual schemes is detailed in the Budget Out-turn Report for 2016/17 (*which is the following report on this Agenda*). The tables below show how all capital expenditure in the year was financed to satisfy the prudential code.

**Capital Spending: Final Out-turn 2016/17**

| Services | Budget £ | Actual £ | Variance £ |
|---|---|---|---|
| Council House Improvements | 2,795,000 | 2,544,507 | -250,493 |
| Council House New Build | 2,905,000 | 1,967,002 | -937,998 |
| Private Sector Housing Renewal | 999,076 | 407,788 | -591,288 |
| Community and Leisure | 1,344,515 | 1,384,197 | 39,682 |
| Environmental Development | 175,000 | 66,911 | -108,089 |
| Property, Plant and Equipment | 1,945,500 | 1,957,860 | 12,360 |
| **Total Spending** | **10,164,091** | **8,328,265** | **-1,835,826** |

**Capital Financing: Final Out-turn 2016/17**

| Funding Source | Budget £ | Actual £ | Variance £ |
|---|---|---|---|
| Capital Resources | 6,480,331 | 5,691,759 | -788,572 |
| External Grants and Contributions | 2,122,937 | 1,212,673 | -910,264 |
| Reserves and Amounts Set-aside | 1,341,123 | 1,202,477 | -138,646 |
| Section 106 | 219,700 | 221,356 | 1,656 |
| **Total - Financing** | **10,164,091** | **8,328,265** | **-1,835,826** |

## 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) 2016/17** | **Budget £'000** | **Actual £'000** |
|---|---|---|
| CFR b/fwd 1st April 2016 | 67,937 | 67,937 |
| Add New Borrowing (HRA) | 406 | 0 |
| Less Debt Repaid | 0 | 0 |
| Less Minimum Revenue Provision (MRP) | -223 | -223 |
| Less Voluntary Revenue Provision (VRP) | -131 | -131 |
| **CFR c/fwd 31st March 2017** | **67,989** | **67,583** |
| General Fund Proportion | 5,999 | 5,999 |
| HRA Proportion | 61,990 | 61,584 |

## 5.0 Treasury Position at 31st March 2017

5.1 The treasury position at 31st March 2017, compared with the previous year is shown in the following table.

| | **2015/16** | | **2016/17** | |
|---|---|---|---|---|
| **Overall Borrowing Position as at 31st March** | **Principal £'000** | **Average Rate** | **Principal £'000** | **Average Rate** |
| Fixed Interest Rate Debt | 47,423 | 3.19% | 47,423 | 3.19% |
| Variable Interest Rate Debt | 10,028 | 0.67% | 10,028 | 0.65% |
| **Total Debt** | **57,451** | | **57,451** | |
| Short-term Investments | -11,000 | 0.32% | -10,000 | 0.40% |
| **Net Borrowing Position** | **46,451** | | **47,451** | |

## 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 2016/17, plus the expected changes to the

CFR over 2016/17 and 2017/18. 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 2016/17 | £'000 |
|---|---|
| Gross Borrowing | 57,451 |
| Net Borrowing | 47,451 |
| CFR | 67,583 |

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 2016/17 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 support 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 2016/17 | £'000 |
|---|---|
| Authorised Limit (as approved) | 72,852 |
| Operational Boundary (as approved) | 62,423 |
| Gross Borrowing as at 31/03/2017 | 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 2016/17 | £'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 2016/17 | Estimate £ | Actual £ |
|---|---|---|
| **General Fund** | | |
| Council Tax Income | 4,747,044 | 4,747,048 |
| Net Interest | -47,000 | -67,912 |
| **Proportion** | **-0.99%** | **-1.43%** |

**HRA**

| | | |
|---|---|---|
| Rent Income (Dwellings) | 12,457,000 | 12,523,566 |
| Net Interest | 1,689,505 | 1,555,777 |
| **Proportion** | **13.56%** | **12.42%** |

## APPENDIX 2

# PRUDENTIAL INDICATORS 2016/17

**Capital Spending: Final Out-turn 2016/17**

| Services | Budget £ | Actual £ |
|---|---|---|
| Council House Improvements | 2,795,000 | 2,544,507 |
| Council House New Build | 2,905,000 | 1,967,002 |
| Private Sector Housing Renewal | 999,076 | 407,788 |
| Community and Leisure | 1,344,515 | 1,384,197 |
| Environmental Development | 175,000 | 66,911 |
| Property, Plant and Equipment | 1,945,500 | 1,957,860 |
| **Total Spending** | **10,164,091** | **8,328,265** |

**Capital Financing: Final Out-turn 2016/17**

| Funding Source | Budget £ | Actual £ |
|---|---|---|
| Capital Resources (Housing) | 6,480,331 | 5,691,759 |
| External Grants and Contributions | 2,122,937 | 1,212,673 |
| Reserves and Amounts Set-aside | 1,341,123 | 1,202,477 |
| Section 106 | 219,700 | 221,356 |
| **Total - Financing** | **10,164,091** | **8,328,265** |

| External Debt 2016/17 | Budget £'000 | Actual £'000 |
|---|---|---|
| Debt 1st April | 57,451 | 57,451 |
| New Debt | 406 | 0 |
| Maturing Debt | 0 | 0 |
| **Debt 31st March** | **57,857** | **57,451** |
| Annual Change in Debt | 406 | 0 |
| Long-term Investments | 0 | 0 |
| Short-term Investments | 11,000 | -10,000 |

| Limits compared to Actual Debt 16/17 | Estimate £'000 | Actual £'000 |
|---|---|---|
| Authorised Limit - General Fund | 5,999 | 5,999 |
| Authorised Limit - HRA (Fixed Debt Cap) | 66,853 | 66,853 |

| | | |
|---|---|---|
| Total Financing Requirement (CFR) | 67,989 | 67,583 |
| Operational Boundary | 62,423 | 62,423 |
| Gross Debt | 57,451 | 57,451 |
| Debt Less Investments | 46,451 | 47,451 |

| **General Fund - Net Indebtedness 16/17** | **Estimate £'000** | **Actual £'000** |
|---|---|---|
| Capital Financing Requirement (CFR) | 5,999 | 5,999 |
| Less: Reserves | -12,327 | -19,301 |
| **Net Indebtedness** | **-6,328** | **-13,302** |

| **HRA Limit on Indebtedness 2016/17** | **Estimate £'000** | **Actual £'000** |
|---|---|---|
| HRA Debt Cap (Fixed) | 66,853 | 66,853 |
| HRA CFR | 61,990 | 61,584 |
| **Difference** | **4,863** | **5,269** |
| HRA Debt | 57,451 | 57,451 |
| **Borrowing Headroom (Cap less Debt)** | **9,402** | **9,402** |

**Interest Payable and Receivable 2016/17**

| **General Fund** | **Budget £** | **Actual £** |
|---|---|---|
| Interest Payable | 0 | 0 |
| Interest Received | -47,000 | -67,912 |
| **HRA** | | |
| Interest Payable | 1,689,505 | 1,569,629 |
| Interest Received | 0 | -13,852 |

| **Capital Financing Requirement (CFR) 16/17** | **Estimate £'000** | **Actual £'000** |
|---|---|---|
| CFR b/fwd | 67,937 | 67,937 |
| Add Net Financing | 406 | 0 |
| Less Minimum Revenue Provision (MRP) | -223 | -223 |
| Less Voluntary Revenue Provision (VRP) | -131 | -131 |
| Less Loan Repayments | 0 | 0 |
| **CFR c/fwd** | **67,989** | **67,583** |
| General Fund Proportion | 5,999 | 5,999 |
| HRA Proportion | 61,990 | 61,584 |

| **Cost of Servicing Debt 2016/17** | **Estimate £** | **Actual £** |
|---|---|---|

| | | |
|---|---|---|
| Interest Received - Gen Fund | -47,000 | -67,912 |
| Tax Base - Band D Properties | 30,990 | 31,647 |
| **Cost per Band D Property** | **-1.52** | **-2.15** |
| Net Interest Paid - HRA | 1,689,505 | 1,555,777 |
| Number of Council Dwellings | 2,963 | 3,015 |
| **Annual Cost per Dwelling** | **570** | **516** |

**Financing Ratios 2016/17**

| **General Fund** | **Budget £** | **Actual £** |
|---|---|---|
| Council Tax Income | 4,747,044 | 4,747,048 |
| Net Interest | -47,000 | -67,912 |
| **Proportion** | **-0.99%** | **-1.43%** |
| **HRA** | | |
| Rent Income | 12,457,000 | 12,523,566 |
| Net Interest | 1,689,505 | 1,555,777 |
| **Proportion** | **13.56%** | **12.42%** |

**Usable Reserves**

| | | |
|---|---|---|
| General Fund | 7,606 | 8,433 |
| Earmarked Reserves and Grants | 4,721 | 10,868 |
| HRA | 3,660 | 3,702 |
| Capital Receipts and Reserves | 1,599 | 1,949 |
| **Total Usable Reserves** | **17,586** | **24,952** |

**Revenue Reserves**

| | | |
|---|---|---|
| General Fund | 7,606 | 8,433 |
| Earmarked Reserves | 4,721 | 10,868 |
| HRA | 3,660 | 3,702 |
| **Total Revenue Reserves** | **15,987** | **23,003** |