

ANNUAL TREASURY MANAGEMENT REVIEW 2016/17

Annex 1: Prudential and Treasury Indicators

1. During 2016/17, the Council complied with its legislative and regulatory requirements apart from exceeding the bank overdraft benchmark as referred to in section 9.2 of the main report. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are shown in Table 1.

Table 1 – Prudential and Treasury Indicators

Actual prudential and treasury indicators	2015/16 Actual £000	2016/17 Budget £000	2016/17 Actual £000
Capital expenditure			
• GF	12,720	12,311	8,087
• HRA	5,030	22,177	5,156
• Total	17,750	34,488	13,243
Capital Financing Requirement:			
• GF	27,067	29,189	26,706
• HRA	20,241	27,477	20,377
• Total	47,308	56,666	47,083
External debt	29,220	40,434	31,669
Investments			
• Longer than 1 year	0	0	0
• Under 1 year	28,612	25,000	37,988
• Total	28,612	25,000	37,988
Net borrowing / (investment)	608	15,434	(6,319)

HRA: The 2016/17 capital expenditure budget includes £14.5m subsequently re-profiled to 2017/18 in the Budget and Medium Term Financial Strategy 2017/21. This re-profiled amount was due to increase the Capital Financing Requirement by £6.7m.

GF: The 2016/17 capital expenditure budget includes £2.2m subsequently re-profiled to 2017/18 in the Budget and Medium Term Financial Strategy 2017/21.

2. **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2016/17) plus the estimates of any additional capital financing requirement for the current (2017/18) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2016/17.

3. **The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2016/17 the Council has maintained gross borrowing within its authorised limit.
4. **The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.
5. **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Table 2 – Borrowing position / limit and financing costs

£000	2016/17
Authorised limit	66,000
Maximum gross borrowing position	31,980
Operational boundary	58,000
Average gross borrowing position	31,587
Financing costs as a proportion of net revenue stream - GF	6.7%
Financing costs as a proportion of net revenue stream - HRA	5.6%

Table 3 – Overall Treasury Position as at 31 March 2017

	31 March 2016 Principal	Rate/ Return	Average Life yrs	31 March 2017 Principal	Rate/ Return	Average Life yrs
Fixed rate funding:						
-PWLB	24,720	3.71%	12.9	27,169	3.63%	12.5
-Market	4,500	4.19%	0.5	4,500	4.19%	0.5
Variable rate funding:						
-PWLB	0			0		
-Market	0			0		
Total debt	29,220	3.78%	11.0	31,669	3.71%	10.8
CFR	47,308			47,083		
Over/ (under) borrowing	(18,088)			(15,414)		
Total investments	28,612	0.55%		37,988	0.49%	
Net debt / (investment)	608			(6,319)		

6. The maturity structure of the debt portfolio was as shown in Table 4.

Table 4 – Maturity Structure of Debt Portfolio

£000	31 March 2016 actual	2016/17 upper limits	31 March 2017 actual
Under 1 year	4,980	15,835	5,123
1 year to under 2 years	480	15,835	623
2 years to under 5 years	6,239	15,835	10,215
5 years to under 10 years	6,975	17,418	3,249
10 years to under 20 years	6,626	15,835	6,539
20 years to under 30 years	1,000	15,835	3,000
30 years to under 40 years	1,920	15,835	1,920
40 years to under 50 years	1,000	15,835	1,000
50 years and above	0	15,835	0
Total debt	29,220		31,669

7. All investments at both the 2015/16 and 2016/17 year-ends were for under one year.
8. The exposure to fixed and variable rates was as shown in Table 5.

Table 5 – Exposure to Fixed and Variable Rates

	31 March 2016 Actual £000	2016/17 Limits £000	31 March 2017 Actual £000
Fixed rate	29,220 debt	66,000 debt	31,669 debt
	11,757 investments	45,000 investments	12,811 investments
Variable rate	0 debt	66,000 debt	0 debt
	16,855 investments	50,000 investments	25,177 investments