

19 June 2018

Policy, Projects and Resources Committee

2017/18 Provisional Outturn and Annual Treasury Management Report

Report of: *Jacqueline Van Mellaerts, Interim Chief Finance Officer*

Wards Affected: *All*

This report is: *Public*

1. Executive Summary

1.1 This report deals with the 2017/18 provisional outturn for:

- The General Fund - paragraph 3.
- Housing Revenue Account - paragraph 4.
- The Capital Programme - paragraph 5.

1.2 The report also considers the reserves and working balance levels.

1.3 The Council is also required by regulations issued under the Local Government Act 2003 to produce an Annual Treasury Management review of activities and the actual prudential and treasury indicators for 2017/18. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) - paragraph 6.

2. Recommendations

2.1 That the provisional (subject to audit) outturn 2017/18 for the General Fund and the HRA contained within this report, are approved.

2.2 That the capital programme carries forwards requested in Table 7 and Capital Funding in Table 7a are approved.

2.3 That the Treasury Management activity and information for 2017/18 be noted.

3. General Fund - Provisional Outturn 2017/18

- 3.1 The General Fund provisional outturn shows a deficit of £437k at year end for 2017/18. This includes earmarking £350k from working balances. Therefore, the reported deficit for the year is £87k before the earmarked spend from working balances.
- 3.2 The estimated outturn for the General Fund (as reported to Council in March 2018) was an over spend of £624k as at 31 March 2018, with a draw down from the general fund working balance. The reported overspend before draw down was £274k. Table 1 provides a summary of the actual spend for the General Fund compared to the estimated outturn.

Table 1 – 2017/18 General Fund Outturn

	2017/18 Estimated Outturn £'000	2017/18 Actual £'000	2017/18 Variance £'000
Vision for Brentwood Expenditure:			
Environment & Housing Management	2,780	2,678	(102)
Community & Health	1,326	1,224	(102)
Economic Development	(995)	(1,010)	(15)
Planning & Licensing	616	658	42
Transformation	4,527	4,692	165
Total Spend on Vision for Brentwood	8,254	8,242	(12)
Operating and Financing Charges	1,333	1,364	33
Appropriations	(127)	141	268
TOTAL SPENDING REQUIREMENT	9,460	9,747	(362)
Funding:			
Council Tax	(5,715)	(5,715)	0
Government Formula Grant	(233)	(233)	0
Business Rates Income	(1,517)	(1,523)	(6)
Collection Fund Deficit/(Surplus)	(125)	(125)	0
New Homes Bonus Grant	(1,154)	(1,157)	(3)
Other Government Grants	(442)	(683)	(241)
Business Rates Pooling	0	(224)	(224)
TOTAL COUNCIL FUNDING	(9,186)	(9,660)	(474)
Deficit / (Surplus) for the year (previously presented as Funding Gap)	274	87	(187)
Earmarked spend on Balances	350	350	0
Deficit/(Surplus) on General Fund Balances	624	437	(187)

3.3 Table 2 outlines key variances within Vision for Brentwood service areas:

Table 2 – 2017/18 General Fund Key Variances

Budget	Over/ (Under spend) £'000	Explanation
Bad Debt	40	Net Increase in Bad Debt provision made against increase Housing Benefit Overpayment recovery.
Equipment & Materials	(28)	Reduction in sacks being purchased for dry recycling based on how sacks are now administered to households.
Equipment Hire/Lease	(80)	Mainly to do with delay in hire of portacabins at the town hall for Police. In addition to reduction in lease charges for corporate printers
Fees & Charges	(17)	Golf Course and Planning Application income exceeded targets, however Community alarms income was not achieved, as demand dropped in the last quarter of the year.
Sponsorship Income	(6)	Improved sponsorship strategy for Community Events.
Vehicle Tyres	(5)	Contract Savings
NNDR	(31)	Saving regarding Town Hall not being occupied.
Local Development Plan	67	Brentwood's costs associated with support required to deliver Brentwood's local Development Plan. Further spend has been funded through Grant Income.
Repairs & Maintenance	(11)	Reduction on Tree works and Car park maintenance
Salaries	28	Net pressure on the cost of the establishment. This pressure takes into account vacancies as well as post being covered by agency and other interim arrangements.
Subscriptions	53	Cost associated to resources the Council has to subscribe to, to carry out business as usual.
Subsidy	195	Amount of subsidy unable to reclaim.

Support Service recharge to HRA	(75)	Increase of recharges to HRA regarding corporate health & safety. The main cost is to do with the lone worker devices the housing staff have required.
Utilities	(13)	Reduction on water costs at Warley playing fields
Council Tax Sharing Agreement	(129)	Increased Income available from Essex wide Council Tax arrangement.
TOTAL VARIANCE on Vision for Brentwood	(12)	

General Fund Working Balance

- 3.4 The estimated working balance as at 31 March 2018 is £3.305 million which is £187k more than the anticipated level reported in March 2018.
- 3.5 This is due the General Fund funding gap of £274k reducing to only a provisional deficit of £87k.
- 3.6 The financial position statement presented to members on 1 March 2018 has been revised to show 2017/18 outturn position and the closing working balances, which is shown in Appendix A.
- 3.7 The General Fund balance must continue to be managed so that it provides the flexibility to manage unexpected demands and pressures without destabilising the Council's overall financial position. The level of the working balance should provide a reasonable allowance for unquantifiable risks or one off exceptional items of expenditure that are not covered within existing budgets.
- 3.8 General guidance and practice amongst other authorities varies. Options include a percentage of Gross Operating Costs and a percentage of Net Spending Requirement to be maintained as a minimum. A minimum reserve level of £2.2 million was agreed at the March 2018 Full Council meeting. This figure was calculated on the risk assessment which was carried out by the Finance Department, this risk assessment reviews and considers the risks, that sits within the Council's risk register.
- 3.9 As part of the year end procedures the Council must review its Earmarked Reserves. These Reserves are required in order to comply with proper accounting practice, whilst others have been created to earmark resources for known or predicted liabilities.
- 3.10 The total value of General Fund Earmarked Reserves after any adjustments is around £5.6 million. A schedule of the Earmarked Reserves is attached as Appendix B to this report.

4 Housing Revenue Account (HRA) – Provisional Outturn 2017/18

- 4.1 The HRA outturn figure shows a projected surplus of £494k. The estimated forecast for the HRA (as reported to Council in March 2018) was a potential surplus of around £450k as at 31 March 2018. The variance reflects the conscious decision for investment in the Council's housing stock, through repairs and maintenance as well as contract management.
- 4.2 Table 3 provides a summary of the actual spend on the Housing Revenue Account compared to the estimated outturn.

Table 3 – 2017/18 HRA Outturn

	2017/18 Estimated Outturn £'000	2017/18 Actual £'000	2017/18 Variance £'000
Expenditure:			
Repairs and Maintenance	2,276	2,407	131
Supervision and Management	2,874	3,033	159
Rents, Rates, Taxes and Other Charges	158	162	4
Share of Corporate Costs	452	410	(42)
Depreciation and Impairment	2,764	2,855	91
Movement in the Allowance for Bad Debts	40	98	58
TOTAL EXPENDITURE	8,564	8,965	401
Income:			
Dwelling Income	(11,878)	(11,836)	42
Non Dwelling Income	(366)	(338)	28
Charges for Services and Facilities	(854)	(807)	47
Contribution towards Expenditure	(71)	(85)	(14)
TOTAL INCOME	(13,169)	(13,066)	103
Net Cost of HRA Services	(4,605)	(4,101)	504
Interest and Debt Management	2,000	1,928	(72)
Interest & Investment Income	(39)	(80)	(41)
Other Operating and Financing Charges	1,167	1,259	92
Net Cost of HRA Services inc Operating Charges	(1,477)	(994)	483
Appropriations	1,027	500	(527)
Deficit / (Surplus) for HRA Services	(450)	(494)	£(44)

- 4.3 Table 4 outlines the key variances for net cost of HRA services including operating charges:

Table 4 – HRA VARIANCES

Budget	(Under)/Over Spend £'000	Explanation
Repairs & Maintenance	131	Responsive Repairs increase to ensure properties are compliant with regulations.
Salaries	(104)	Vacancies covered by interim posts.
Project Management Support	109	Pressure regarding support around managing the Repairs and Maintenance service. Plus vacancies covered by interim arrangements.
Support Service Recharges	132	Increase in recharges from the General Fund. Main increase is around the cost of lone worker devices for staff as part of the Corporate Health & Safety plan.
Equipment, Materials and Furniture & Furnishings	(7)	Reduction in sheltered equipment purchased.
Computing	(13)	Computer maintenance costs have reduced, based on streamlining services used.
Rents, Rates, Taxes and Other Charges	4	Small overspends on insurance and Council Tax bills for empty properties.
Depreciation	91	Increase to depreciation this goes to the Major Repairs Reserve to fund the Decent homes capital program.
Bad Debt Allowance	58	Rent arrears have increased, so the bad debt allowance calculation has increased.
Dwelling Income	42	Void period of properties higher than expected.
Non Dwelling Income	28	Reduction is based on garage charges having VAT applied, so income to decrease slightly as charges now include VAT.
Tenant Service Charges	47	Void period of properties higher than expected.
Revenue Costs recovered	(14)	Recovery process means, court costs and removal costs are now recovered from the tenant through their rent account.

Interest and Debt Management Charges	(72)	Interest payments have decreased as the Shops have been transferred to the General Fund.
Investment Interest	(41)	Cashflow higher than expected, so more interest earned.
Payments to Pension Fund	(105)	Pension fund deficit payment lower than expected.
Revenue Contribution to Capital	197	Increase to capital program funding around Garage Site Development into Affordable Housing.
Appropriations	(527)	Amount earmarked decreased based on the identified overspends.
Total	(44)	

HRA Working Balance

- 4.4 The impact of the provisional outturn means that the estimated working balance as at 31 March 2018 is around £2 million.
- 4.5 The HRA working balance must continue to be managed so that it provides the flexibility to manage unexpected demands and pressures without destabilising the Council's overall financial position. The level of the working balance should provide a reasonable allowance for unquantifiable risks or one off exceptional items of expenditure that are not covered within existing budgets. The working balance can also be used to act as a source of pump priming investment and/or to deliver "invest to save" projects.
- 4.6 General guidance and practice amongst other authorities varies. Options include a percentage of total income, and a set value per Council Dwelling. However, individual risk assessments undertaken at a local level are considered best practice.

HRA Earmarked Reserves

- 4.7 In addition to the Working Balance, the HRA has 2 earmarked reserves. The total value of HRA Reserves is around £3.4 million. A schedule of the Earmarked Reserves is attached as Appendix B to this report.

5 Capital Programme – Provisional Outturn 2017/18

5.1 The projected forecast spend on the Capital Programme for 2017/18 is £5.939 million, compared to the budgeted capital programme of £13.664 million.

5.2 Table 5 shows details of the actual spend compared to the estimated outturn (as reported to Council in March 2018) and the current budget for the capital programme.

Table 5 – 2017/18 Capital Outturn

	2017/18 Current Budget	2017/18 Provisional Outturn	2017/18 Actual	2017/18 Variance
	£'000	£'000	£'000	£'000
Details of Expenditure:				
Environment & Housing Management	10,864	6,963	5,207	(5,657)
Community & Health	635	167	142	(493)
Economic Development	1,239	163	70	(1,169)
Transformation	926	918	520	(406)
TOTAL EXPENDITURE FOR VISION FOR BRENTWOOD	13,664	8,211	5,939	(7,725)
Funded by:				
Capital Receipts	4,755	3,586	2,753	(2,002)
Government Grants	250	250	411	161
Housing Revenue Account Business Plan	2,764	1,055	809	(1,955)
Contributions from Revenue	2,717	1,511	564	(2,153)
Section 106	808	815	814	6
Retained HRA Receipts	994	994	588	(406)
Borrowing	1,376	0	0	(1,376)
TOTAL FUNDING	13,664	8,211	5,939	(7,725)

5.3 The Capital Programme for 2017/18 has been fully funded without the need for additional borrowing.

5.4 Table 6 outlines the variance for each individual capital scheme and an analysis to whether it should be carried forward into 2018/19.

Table 6 – 2017/18 Capital Scheme Variances

Capital Scheme	2017/18 Variance £'000	Explanation of variance
Environment & Housing:		
HRA Decent Homes Schemes	(3,160)	Ongoing works and part will be required to carry forward to 18/19
New Homes Build (HRA)	(1,353)	Ongoing works and will be required to carry forward to 18/19
Home Repair Assistance Grant	(27)	Fewer number of repairs and facilities required. Project based on demand.
Disabled Facilities Grant	142	Overspend to be funded by previous years grant that was not fully utilised.
Vehicle & Plant Replacement Programme	(616)	Delay on planned replacement vehicles. Vehicles are being replaced to continue with current service demands. So full amount required as slippage.
Cemetery Headstones	(15)	Delays in contractor availability due to poor weather conditions over the winter months delayed works taking place. Slippage required.
Cemeteries Infrastructure	(19)	Delay around infrastructure due to decision on memorial wall. Underspend required to catch up with delayed works.
Waste Transfer Station	(105)	Project Complete
Town Hall remodelling	(502)	Contract has now been awarded and development is well underway. Slippage includes 200k for sprinkler system for residential area, that was agreed at March committee.
Economic Development:		
Parking Scheme at Brentwood & Shenfield	(1,000)	Scheme now considered as part of the Asset Development Programme.
MSCP	(48)	Tender for MSCP has been received and is less than anticipated so slippage is not required
Car Park Improvements	(83)	Improvements are pending Car Park Strategy and Joint Venture. Slippage to be brought forward to contribute to any Car Park works required for Town Hall Development.
Renaissance Group	(39)	Carry forward required for new year to grant to Brentwood Business Partnership Group in 2018/19.
Community & Health:		
CCTV System Upgrade	10	Cost of cameras exceeded budget. Slight overspend was expected.

Play Area Refurbishments	(151)	Play Area Strategy going to committee in June 2018. Once strategy approved monies required for urgent refurbishments posing safety risks.
Irrigation to Golf Course	(29)	Tender exercise came back in excess of original budget. So budget is to be used to pay for construction of water holding ponds on course as part of spend to save to reduce golf course water usage which is metered.
Mascals Park	6	Project funded by Section 106 monies
Leisure Strategy	(100)	On hold. Any further funding or decisions to go back to committee. No carry forward required as Revenue Earmarked Reserve set aside.
Noise, Nuisance Recorder System	0	Equipment purchased.
Parks Infrastructure	(25)	Monies were being retained to pay for additional site security measures this is being financed elsewhere. Monies required for original works within the Councils site are for specific management plans.
Warley Sports Pavilion	(170)	Delay due to the establishment of a Leisure Strategy. Budget will now be used to match fund a grant from the Football Foundation to pay for replacement of goal posts on all sites under Council control.
Incursion Defences	(35)	Weather meant delay to some sites for work. Sites have been identified to improve security at various sites to improve defences against incursions and fly tipping.
Transformation:		
Asset Improvements	66	Overspend due to replacement works at Brentwood Leisure Trust that was not originally identified.
ICT Strategy	0	Existing Budget available for 2017/18
CRM Project	0	Project complete
PCI Compliance	0	Project complete first stage.
Azure & Skype	0	Project complete.
End User Device	0	Project complete.
Software Licences	17	Cost of licences not originally budgeted for in the capital program.
ICT Applications	11	Includes upgrades to systems
King Edward Road	(500)	Carry forward required. Delay due to

		legal and planning issues around the site, soon to be resolved.
TOTAL VARIANCE FOR VISION FOR BRENTWOOD	7,725	

5.5 Due to the under spends on some of the variances above, budget holders have requested various schemes to be carried forward into 2018/19. Senior officers have reviewed these requests along with the above variances and have made decisions on which schemes should be carried forward.

5.6 Table 7 shows a complete summary of the capital schemes that have been started and are not yet complete and are therefore requested to be carried forward to 2018/19.

Table 7 – 2017/18 Capital Scheme Carry Forwards into 2018/19

Scheme	Amount to carry forward £'000
Garage site development	1,353
HRA Decent Homes	2,219
Vehicle Replacement Program	616
Play Area Refurbishments	151
Parks Infrastructure	25
Warley Sports pavilion Refurbishment	170
Golf Course Irrigation	29
Cemetery headstones	15
Cemetery Infrastructure	19
Town Hall Remodeling	502
Renaissance Group	39
Incursion Defenses	35
King Edward Road Development	500
TOTAL AMOUNT TO CARRY FORWARD	5,673

5.7 The amount carried forward in Table 7 must be funded, through capital receipts, capital grants, revenue contributions or borrowing. As at 31st March 2018, the provisional capital receipts balance was £6.712 million. Of which £3.320 million was ring fenced for 1-4-1 Dwelling Replacement (Garage Site Development). Leaving a balance of £3.392 million to fund the approved 18/19 capital program (as agreed at Full Council 1 March 2018) and proposed slippage. Table 7a proposes how the Capital Program will be funded including the proposed carry forwards from Table 7.

Table 7a – 2018/19 Capital Program Funding including Carry Forwards

	Amount £'000
General Fund Total Program 2018/19	14,087
HRA Decent Homes Program 2018/19	921
HRA Garage Site Development Program 2018/19	1,479
Current Approved Capital Program 2018/19	16,487
GF Proposed Carry Forwards	2,101
HRA Decent Home Proposed Carry Forwards	2,219
HRA Garage Site Proposed Carry Forwards	1,353
Total Proposed Capital Program incl Carry Forwards	22,160
Funded By	
Capital Receipts	(2,965)
Retained Capital Receipts	(850)
Grants	(250)
HRA Business Plan	(3,140)
Revenue Contribution	(1,982)
Internal borrowing	(2,770)
External Borrowing	(10,203)
TOTAL Funding	(22,160)

6. Annual Treasury Management Report 2017/18

- 6.1 This report compares the treasury activity for 2017/18 against the annual strategy.

Introduction and Background

- 6.2 The regulatory environment places responsibility to Members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.
- 6.3 The Council confirms that it has complied with the requirement under the Code to give scrutiny to the treasury management reports by the Policy, Projects and Resources Committee.
- 6.4 This report summarises:
- Capital activity during the year;
 - Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
 - Reporting of the required prudential and treasury indicators;
 - Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;

- Detailed debt activity; and
- Detailed investment activity.

The Council's Capital Expenditure and Financing 2017/18

6.5 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc), which has no resultant impact on the Council's borrowing need;
Or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

6.6 The actual capital expenditure for the year is one of the prudential indicators that the Council is required to report. This requirement is met by Table 5, which shows the actual capital expenditure and how this was financed.

6.7 The Council's CFR at the year end is shown in Table 8, and represents a key prudential indicator.

Table 8: Capital Financing Requirement

	31 March 2017	31 March 2018
	£'000	£'000
CFR – General Fund	11,166	11,097
CFR – HRA	62,091	61,091
Total CFR	73,257	72,688

6.8 Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit, as set out later in this report.

The Council's Overall Borrowing Need

6.9 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's debt position. It represents 2017/18 and prior year's capital expenditure which has not yet been paid for by revenue or other resources.

6.10 Under treasury management arrangements, actual debt can be borrowed or repaid at any time within the confines of the annual treasury strategy. However, the Council is required to make an annual revenue charge to reduce the General Fund element of the CFR. There is no statutory requirement to reduce the HRA element of the CFR.

6.11 This statutory revenue charge is called the Minimum Revenue Provision (MRP). The total CFR can also be reduced by:

- The application of additional capital resources (such as unapplied capital receipts);
Or
- Charging more than the statutory revenue charge (MRP amount) each year through an additional Voluntary Revenue Provision (VRP) from either the HRA or General Fund.

The Council's Treasury Position at the Year End

6.12 The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities.

6.13 The treasury position as at 31 March 2018 compared with the previous year is shown in Table 9:

Table 9: Year End Treasury Position

	31 March 2017		31 March 2018	
	Principal £	Average Rate	Principal £	Average Rate
Fixed Interest Rate Debt	2,000	7.54%	2,000	7.54%
HRA Subsidy Reform	59,166	3.10%	59,166	3.10%
Short Term Borrowing	3,000	0.30%	0	
Total External Debt	64,166		61,166	
CFR – General Fund	11,166		11,097	
CFR – HRA	62,091		61,591	
Total Capital Financing Requirement	73,257		72,688	
Under Borrowing	(9,091)		(11,522)	
Investments				
Short-term deposits with banks & building societies	17,000	0.39%	14,000	0.55%
Total Investments	17,000		14,000	
Net Borrowing Position	47,166		47,166	

Debt decisions taken during 2017/18

- 6.14 Table 10 summarises the long-term loans held at 31 March 2018. No additional long-term borrowing was taken out during the year. These loans are all maturity, fixed interest rates.

Table 10: Schedule Of Outstanding Loans at 31 March 2017

Repayment Date	Period of Loan (Years)	Interest Rate	Amount Outstanding £000
28/03/2022	10	2.40%	5,000
28/03/2027	15	3.01%	10,000
08/01/2028	25	4.88%	400
28/03/2032	20	3.30%	15,000
28/03/2037	25	3.44%	15,000
28/03/2042	30	3.50%	14,166
24/02/2055	60	8.88%	800
30/04/2055	60	8.88%	800
Total			61,166

- 6.15 **Short Term Borrowing** – this was undertaken on a couple of occasions during the year in order to meet short term cash requirements.
- 6.16 **Debt Re-scheduling** – all of the Council’s long-term borrowing is with the Public Works Loans Board (PWLB). Due to changes made by the PWLB in the way in which it calculates the premiums and discounts on premature loan repayments, it has become more expensive to undertake any debt rescheduling. Consequently, no debt rescheduling opportunities were undertaken during the year.

Investment decisions taken during 2017/18

- 6.17 **Investment Policy** – the investment activity during the year conformed to the approved investment strategy.

- 6.18 **Investments held by the Council** – Table 11 details the investments held by the Council at 31 March 2018.

Table 11: Schedule of Outstanding Investments at 31 March 2017

Start date	Maturity date	Invested with	Interest Rate	Amount £
04/10/17	04/04/18	Goldman Sachs	0.69%	2,000,000
05/10/17	05/04/18	Lloyds Bank plc	0.36%	1,000,000
18/04/17	17/04/18	Barnsley Metro Borough Council	0.48%	1,000,000
19/01/18	19/04/18	Eastleigh Borough Council	0.45%	1,000,000
26/03/18	01/05/18	Suffolk County Council	0.75%	1,000,000
05/06/17	11/05/18	Barnsley Metro Borough Council	0.38%	1,000,000
01/06/17	31/05/18	Leeds City Council	0.38%	1,000,000
04/12/17	04/06/18	Coventry Building Society	0.54%	1,000,000
18/01/18	18/07/18	Eastleigh Borough Council	0.52%	1,000,000
14/11/17	14/08/18	Blackpool Borough Council	0.50%	1,000,000
19/03/18	19/11/18	Eastleigh Borough Council	0.82%	1,000,000
95 day notice account		Santander UK plc	0.60%	2,000,000
Total				14,000,000

Prudential and Treasury Indicators

- 6.19 The Council is required by the Prudential Code to report the following prudential and treasury indicators after the year end. These indicators provide either an overview or a limit on treasury activity.

Prudential Indicators

- 6.20 **The Capital Financing Requirement (CFR)** – shows the Council's underlying need to borrow for capital purposes and should only increase in relation to capital expenditure that is not met from the Council's own resources, i.e. it is unfinanced. External borrowing should not exceed the CFR except in the short term under exceptional circumstances. Any borrowing in excess of the CFR would be deemed to be for revenue purpose, which is not allowed. This indicator aims to show that gross borrowing does not exceed the CFR. The gross borrowing position is the sum of external

debt and finance lease liabilities. Table 12 demonstrates that the Council has complied with this requirement.

Table 12: Gross Borrowing and CFR Position

	31 March 2017 £000	31 March 2018 £000
Gross borrowing position	64,166	61,166
Capital Financing Requirement	73,257	72,688

The Authorised Limit – this is the “affordable borrowing limit” required by Section 3 of the Local Government Act 2003. This represents a limit beyond which external debt is prohibited. The limit is set or revised by the Full Council. The table below demonstrates that during 2017/18 the Council has maintained gross borrowing within this limit.

- 6.21 **The Operational Boundary** – this is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.
- 6.22 **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 13: Other Prudential Indicators

	2017/18 £000
Authorised limit for external debt	86,533
Operational boundary for external debt	80,566
HRA Debt Limit	87,000
Financing costs as a proportion of net revenue stream:	
General Fund	1.40%
HRA	14.10%

Treasury Indicators

- 6.23 **Maturity Structure of the fixed rate borrowing portfolio** - this indicator assists councils in avoiding large concentrations of fixed rate debt that has the same maturity structure and would therefore need to be replaced at the same time.

	31 March 2018 actual £000	Proportion of total borrowing	Upper limit
Up to 5 years	5,000	8%	20%
5 to 10 years	10,000	16%	20%
Over 10 years	46,166	75%	100%

- 6.24 **Exposure to Fixed and Variable Rates** - the Council is not exposed to changes in variable interest rates as all its borrowings are at fixed interest rates.
- 6.25 The Council has complied with all of the above relevant statutory and regulatory 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 that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach.
- 6.26 The Council is aware of the risks of passive management of the treasury portfolio (reduced investment income, counterparty risk etc) and, with the support of Capita Asset Services the Council's Treasury Management Advisers, has proactively managed the debt and investments over the year by continually reviewing market conditions, appraising investment and debt rescheduling opportunities and assessing their effects on the Council's balance sheet.

5 References to Corporate Plan

- 5.4 Good financial management underpins all priorities within the Corporate Plan.

6 Implications

Financial Implications

Name & Title: Jacqueline Van Mellaerts, Interim Chief Finance Officer

Tel & Email 01277 312829 / Jacquelinevanmellaerts@brentwood.gov.uk

- 6.4 The financial implications are set out in the report.

Legal Implications

Name & Title: Daniel Toohey, Monitoring Officer

Tel & Email 01277 312860 / Daniel.toohey@brentwood.gov.uk

- 6.5 The Council is obliged under Section 151 of the Local Government Act 1972 to make proper arrangements for the management of its financial affairs.

7 Background Papers

- 7.1 1 March 2018 Full Council – Medium Term Financial Plan 2018/19 – 2020/21

8 Appendices to this report

- 8.1 Appendix A – Financial Position Statement
Appendix B – Earmarked Reserves

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