

TREASURY MANAGEMENT STRATEGY 2016/17 Amended Sections – November 2016

2 THE CAPITAL PRUDENTIAL INDICATORS 2015/16 – 2018/19

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

	2014/15 Actual £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000	2018/19 Estimate £000
Capital expenditure:					
General Fund	3,186	9,842	205,147	7,618	5,550
HRA	6,462	6,676	10,698	5,065	5,015
Total	9,648	16,518	215,845	12,683	10,565
Financed by:					
Capital receipts	743	2,019	2,997	388	5
Capital grants	3,104	7,536	1,806	2,480	1,545
Capital reserves	2,927	2,765	2,740	2,740	2,740
Other reserves	1,041	2,145	5,877	4,750	4,000
Revenue	1,833	2,063	2,425	2,325	2,275
External borrowing	0	0	200,000	0	0
Net financing need for the year	9,648	16,528	215,845	12,683	10,565

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life.

The Council is asked to approve the CFR projections below:

Capital Financing Requirement	2014/15 Actual £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000	2018/19 Estimate £000
CFR – non housing	11,685	11,685	236,685	236,685	236,685
CFR – housing	80,406	78,375	76,279	74,116	71,884
Total CFR	92,091	90,060	312,964	310,801	308,569
Movement in CFR	-	(2,031)	222,904	(2,163)	(2,232)

2.10 Current portfolio position

The Council's treasury portfolio position at 31 March 2015, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	2014/15 Actual £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000	2018/19 Estimate £000
External Debt at 1 April	94,062	92,091	90,060	112,964	110,801
Expected change in Debt					
HRA PWLB repayments	(1,971)	(2,031)	(2,096)	(2,163)	(2,232)
DLC ¹ borrowing allowance	0	0	25,000	0	0
PIS ² borrowing allowance	0	0	200,000	0	0
Actual gross debt at 31 March	92,091	90,060	312,964	310,801	308,569
Capital Financing Requirement	92,082	90,060	312,964	310,801	308,569
Under / (over) borrowing	(9)	0	0	0	0

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2016/17 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Director of Finance, Housing & Community (Section 151 Officer) reports that the Council complied with this prudential indicator in the current year and is expected to do so in the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

2.11 Treasury Indicators: limits to borrowing activity

The operational boundary - This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational boundary	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000	2018/19 Estimate £000
Debt	108,000	333,000	333,000	333,000

The authorised limit for external debt - A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

¹ Dover Leisure Centre

² Property Investment Strategy

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit:

Authorised limit	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000	2018/19 Estimate £000
General Fund Debt Limit	22,500	247,500	247,500	247,500
HRA Debt Limit	91,000	91,000	91,000	91,000
Total	113,500	338,500	338,500	338,500

3 ANNUAL INVESTMENT STRATEGY

Investment instruments identified for use in the financial year are listed below. Counterparty limits will be as set through the Council's treasury management practices.

In House Investments

Institution	Type	Minimum Credit Criteria	% / Value	Max period
DMO	Deposit	N/A	100%	N/A
Local Authorities	Deposit	N/A	100%	N/A
UK part nationalised banks ³	Deposit	Green	£8m	1 year
NatWest	Deposit	Green	£20m	1 year
Other UK banks and building societies	Deposit	Green	£8m	1 year

For the purposes of the table above, in order to keep within the intended spirit of the maximum investment period, 6 months means "up to 186 days" and 1 year means "up to 370 days".

Non Specified Investments

Type	Value	Max period
Property Funds ⁴	£3m	5 years

Direct Property Investments

Type	Value	Max period
DDC Controlled Companies	£200m	80 years
DDC Joint Ventures	£200m	80 years

³ Due to the constraints in finding counter parties within the policy UK part nationalised banks will continue to be considered for investments of up to 1 year, on a case by case basis, so long as the credit criteria remains at least 6 months.

⁴ These are indicative values to be reviewed if investment undertaken. Any changes to the limits to be delegated to the Director of Finance, Housing and Community, in consultation with the portfolio holder responsible for Finance.