

ANNUAL TREASURY MANAGEMENT REPORT 2015/16 ADUR DISTRICT COUNCIL AND WORTHING BOROUGH COUNCIL

REPORT BY DIRECTOR OF DIGITAL AND RESOURCES

1.0 SUMMARY

- 1.1 This report asks Members to note the Treasury Management performance for Adur and Worthing Councils for 2015/16.

2.0 BACKGROUND

- 2.1 This report presents the treasury management activities and portfolio position for the 2015/16 financial year for both Adur District Council and Worthing Borough Council.

- 2.2 This is one of three treasury management reports that are required to be presented during the financial year (see Para. 2.5).

- 2.3 The presentation of the Annual Report is required through regulations issued under the Local Government Act 2003 to review the treasury management activities and the actual prudential and treasury related indicators for 2015/16. This report also meets the requirements of both the Treasury Management Code of Practice (The Code) and the Prudential Code for Capital Finance in Local Authorities (the Prudential Code), both of which are issued by The Chartered Institute of Public Finance and Accountancy (CIPFA).

- 2.4 To put the report in context, Treasury Management is defined by CIPFA as:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

- 2.5 For 2015/16 the minimum reporting requirements specified within the treasury management policy is that the Councils should receive the following:

The Annual Treasury Management Strategy (TMSS) in advance of the year – this was submitted to the meeting of the Joint Strategic Committee (JSC) in February 2015 and to the Joint Governance Committee (JGC) in March 2015.

2.0 BACKGROUND

A mid year treasury update report – a joint in-house operations report for both councils was submitted to the meeting of JGC in January, 2016.

The Annual Report (this report) - to be submitted by 30th September after the year end, which compares the actual activity with the planned strategy.

2.6 The regulatory environment places a significant onus on members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury management activities and highlights compliance with the Councils' policies previously approved by members.

2.7 The Annual Report also confirms that the Councils have complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Joint Governance Committee.

2.8 This report summarises for both Councils the:

- Capital activity during the year (Section 3, and Appendix 1)
- Impact of capital activity on the Councils' underlying indebtedness (the Capital Financing Requirement) (Section 4)
- Overall treasury position identifying how the Councils have borrowed in relation to this indebtedness (Section 9), and the impact on investment balances (Section 5 and 9 and Appendices 3 and 4)
- Reporting of the required prudential and treasury management indicators (Section 6 and Appendix 2)
- The treasury management strategy compared to the economic and interest rate environment (Sections 7 – 8)
- Investment activity (Section 10 and Appendices 3 and 4)

3.0 THE COUNCILS' CAPITAL EXPENDITURE and FINANCING 2015/16

3.1 The Councils undertake capital expenditure on long-term assets. These activities may be financed in one of two ways:

- financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Councils' 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.

3.0 THE COUNCILS' CAPITAL EXPENDITURE and FINANCING 2015/16

- 3.2 The actual capital expenditure forms one of the required prudential indicators. Appendix 1 shows the actual capital expenditure for 2015/16 and how this was financed for both Councils.
- 3.3 For Adur District Council, total capital expenditure amounted to £9.62m, of which £3.27m was unfinanced. For Worthing Borough Council, total capital expenditure was £2.37m, of which £0.7m was unfinanced.
- 3.4 The unfinanced element of capital expenditure results in an increase to the Councils' Capital Financing Requirement and the need to borrow, which is explained further in Section 4 below.

4.0 THE COUNCILS' OVERALL BORROWING NEED

- 4.1 The Councils' underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Councils' indebtedness as it results from the capital activity of the Councils that is unfinanced.
- 4.2 Part of the Councils' joint treasury management activity is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Councils' cash position to ensure sufficient cash is available to meet the capital plans and daily operational cash flow requirements. This may be sourced through borrowing from external bodies or utilising temporarily the Councils' own resources (i.e. internal borrowing).
- 4.3 As part of statutory guidance issued by the Department for Communities and Local Government (CLG), the Councils' Joint TMSS requires that an annual revenue charge called the Minimum Revenue Provision (MRP) is made to provide the funds to repay debt and reduce the CFR. This is a "prudent" provision foremost for the repayment of the Councils' General Fund Account borrowing need. There is no statutory requirement to provide any MRP for Adur's Housing Revenue Account. However, Adur has opted to make additional voluntary provisions for repayment of housing related debt, as described in 4.4 below.
- 4.4 In addition to providing MRP, the total CFR may also be reduced by:
- the application of additional capital financing resources (such as unapplied capital receipts and capital grants);
 - or charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP). The TMSS provides the option for Adur Council to make VRP in respect of HRA debt. This is a prudent provision for repayment of HRA debt, that is necessary to provide future borrowing "headroom" below the Government's HRA Debt Limit. The headroom creates the capacity for new borrowing (up to the limit) for future housing investment.

4.0 THE COUNCILS' OVERALL BORROWING NEED

4.5 The Councils' cumulative CFR is shown below, and represents a key prudential indicator.

Adur District Council - Capital Financing Requirement	31 March 2015 Actual £000s	31 March 2016 Original Estimate £000s	31 March 2016 Actual £000s
Opening balance	76,283	78,378	75,985
Add: Unfinanced capital expenditure (Appendix 1)	2,270	904	3,272
Less: Minimum Revenue Provisions MRP	(2,568)	(2,557)	(2,435)
Less: Finance lease repayments	-		
Closing balance	75,985	76,725	76,822

4.6 The CFR for Adur Council increased by approximately £837k in 2015/16, being the net impact of unfinanced capital expenditure of £3.272m offset by £2.435m MRP.

4.7 For Worthing, the CFR reduced by £225k, reflecting new unfinanced capital expenditure during the year of £706k, offset by MRP of £931k.

Worthing Borough Council - Capital Financing Requirement	31 March 2015 Actual £000s	31 March 2016 Original Estimate £000s	31 March 2016 Actual £000s
Opening balance	23,759	25,982	23,586
Add: unfinanced capital expenditure (Appendix 1)	904	6,500	706
Less: Minimum Revenue Provisions MRP	(1,077)	(1,310)	(931)
Closing balance	23,586	31,172	23,361

4.0 THE COUNCILS' OVERALL BORROWING NEED

4.8 The CFR for each Council is further compared against actual borrowing in Section 5.

5.0 TREASURY POSITION AS AT 31 MARCH 2016

5.1 The Councils' debt and investment position is organised by the in-house treasury management service, which aims to ensure adequate liquidity for revenue and capital activities, the security for investments, and to manage the risks within all treasury management activities.

5.2 Procedures and controls to achieve these objectives are well established both through the Member reporting detailed in Section 2 and through officer activity detailed in the Councils' Joint Treasury Management Practices. The treasury position at the start and end of 2015/16 for each Council is shown in the tables which follow.

TREASURY POSITION AS AT 31 MARCH 2016 – ADUR DISTRICT COUNCIL

Adur District Council	Year Ended 31 March 2016			Year Ended 31 March 2015		
	Principal £000s	Total £000s	Rate/ Return	Principal £000s	Total £000s	Rate/ Return
Long Term Fixed rate funding:						
PWLB	56,315		3.8%	58,022		3.8%
Market	7,263	63,578	5.2%	7,274	65,296	5.2%
Long Term Variable rate funding:						
PWLB	-	-	-			
Market*	10,690	10,690	5.2%	10,690	10,690	5.2%
Temporary Loans <1yr	-	-	-			
Total Debt		74,268	4.1%		75,986	4.1%
CFR		76,822			75,985	
Over/ (under) borrowing		(2,554)			1	
Investments:						
Bonds	75			75		
Long Term	2,000		1.9%	2,000		1.9%
Short Term	11,000	13,075	0.80%	13,000	15,075	0.72%
Total Investments		13,075	0.92%		15,075	0.83%
Net Debt		61,193			60,911	

* From June 2016 these loans have been converted to fixed rate loans at 5.2%.

5.0 TREASURY POSITION AS AT 31 MARCH 2016

- 5.3 For Adur Council, the gross debt at 31st March decreased year on year by £1.7m, being the repayment of long term PWLB debt. The level of investments decreased by £2m due to fluctuations in operational cash balances. The combined effect of these movements is that the net indebtedness of the Council had increased by £0.3m at 31st March 2016.
- 5.4 The CFR exceeded the value of long term debt held at 31 March 2016 by £2.6m, meaning that Adur is now under borrowed. The previous year the Council was over borrowed by £1k. The significant improvement arose from the difference between net debt repayments (£1.7m), unfinanced capital expenditure (£3.3m) and MRP (-£2.4m).
- 5.5 The introduction of HRA self-financing resulted in a revision to the CIPFA Code of Practice, recommending the inclusion of a separate HRA Treasury Management Strategy for the HRA. This recommendation was adopted and reported as part of the overall Treasury Management Strategy to the JSC in 2011, and is updated each year as part of the HRA Budget Report.
- 5.6 The formulation of a separate Treasury Management Strategy is important because The Code requires transparency to be given to the relative positions of the General Fund and HRA so that decisions may be considered separately for treasury management purposes. Thus, the relative borrowing and CFR positions at the end of the year is further analysed between General Fund and HRA as follows:

CFR v Long Term Debt Position at 31 March 2016	ADUR DISTRICT COUNCIL		
	General Fund £000s	HRA £000s	Total £000s
Actual Long term Debt 01/04/15	12,987	62,999	75,986
New Long term Debt Raised in year	-	-	-
Long Term Debt Repaid in Year	9	1,709	1,718
Actual Long Term Debt 31/03/16	12,978	61,290	74,268
Capital Financing Requirement	15,003	61,819	76,822
Over/(Under) Borrowing	(2,025)	(529)	(2,554)
HRA Debt Limit	N/A	68,912	68,912
HRA Borrowing Headroom (Debt Limit – Actual Debt)	N/A	7,622	

5.0 TREASURY POSITION AS AT 31 MARCH 2016

- 5.7 This analysis shows that the General Fund was under-borrowed at the end of the year by £2.025m while the HRA was under-borrowed by approximately £529k. This position largely reflects the opening balance at 1 April 2012 arising from the application of the two pool split, wherein the CIPFA methodology assumed the HRA was fully borrowed at the level of its CFR. Therefore any under or over borrowing at that time was fully attributable to the General Fund.
- 5.8 Because Adur started the year in an over-borrowed position, it has not taken on any new debt in 2015/16.

TREASURY POSITION AS AT 31 MARCH 2016 – WORTHING COUNCIL

Worthing Borough Council	Year Ended 31 March 2016			Year Ended 31 March 2015		
	Principal £000s	Total £000s	Rate/Return	Principal £000s	Total £000s	Rate/Return
Long Term Fixed rate funding:						
PWLB	6,100		2.09%	3,000		2.7%
Market	7,036	13,136	1.02%	88	3,088	0%
Temporary Loans <1 yr	6,000	6,000	0.50%	15,000	15,000	0.47%
Total Debt		19,136	0.98%		18,088	0.68%
CFR		23,361			23,585	
Over/-(under) borrowing		(4,225)			(5,497)	
Investments:						
Bonds	75		n/a	75		n/a
Long Term						
Short Term	8,050	8,125	0.72%	6,000	6,075	0.74%
Total Investments		8,125			6,075	
Net Debt		11,011			12,013	

- 5.9 Worthing ended the year with actual borrowing £4.2m below the CFR, a reduction in under-borrowing of £1.27m over the previous year. The reduction in under borrowing reflects new borrowing (£1.05m) plus MRP (£0.93m) less unfinanced capital expenditure (£0.71m) during the year. The under-borrowing position results from the Council's preference to use internal funds as a cheaper source of funding to finance capital expenditure than external borrowing.

5.0 TREASURY POSITION AS AT 31 MARCH 2016

- 5.10 The key treasury management Prudential Indicators for each Council are reported in Section 6 below, with the full set of PI's reported at **Appendix 2**. The portfolio compositions at the start and end of the year for both Councils is shown at **Appendix 3** (Adur) and **Appendix 4** (Worthing).

6.0 PRUDENTIAL LIMITS UPON BORROWING

- 6.1 The amount that the Councils may borrow is constrained by Prudential Indicators for Net Borrowing and the CFR. These important indicators are determined in advance of the financial year as part of the budget setting approvals, and are explained as follows:

Net borrowing and the CFR

- 6.2 In order to ensure that borrowing levels are prudent over the medium term the Councils' external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Councils are not borrowing to support revenue expenditure. The Prudential Code requires that net borrowing should not, except in the short term, exceed the CFR for 2015/16 plus the expected changes to the CFR over 2016/17 and 2017/18.
- 6.3 This indicator allows the Councils some flexibility (if required or beneficial) to borrow in advance of immediate capital needs. The Councils have complied with this prudential indicator, as the net borrowing position (i.e. gross borrowing less gross investments) is below the value of the CFR.
- 6.4 The net indebtedness of Adur is £15.6m below CFR, and for Worthing some £12.4m below CFR, reflecting the availability of reserves to underpin the Councils' indebtedness.

7.0 THE TREASURY MANAGEMENT STRATEGY FOR 2015/16

- 7.1 The expectation for interest rates within the strategy for 2015/16 anticipated low but rising Bank Rate, and gradual rises in medium and longer term fixed borrowing rates during 2015/16. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.
- 7.2 In this scenario, the treasury strategy was to continue to borrow short term as required, pending anticipated capital receipts. Public Works Loan Board (PWLB) long term loans would be used when favourable to fix borrowing at low rates. During the year the PWLB rates continued to reduce, so Worthing borrowed from the PWLB when short term loans matured.

8.0 THE ECONOMY AND INTEREST RATES

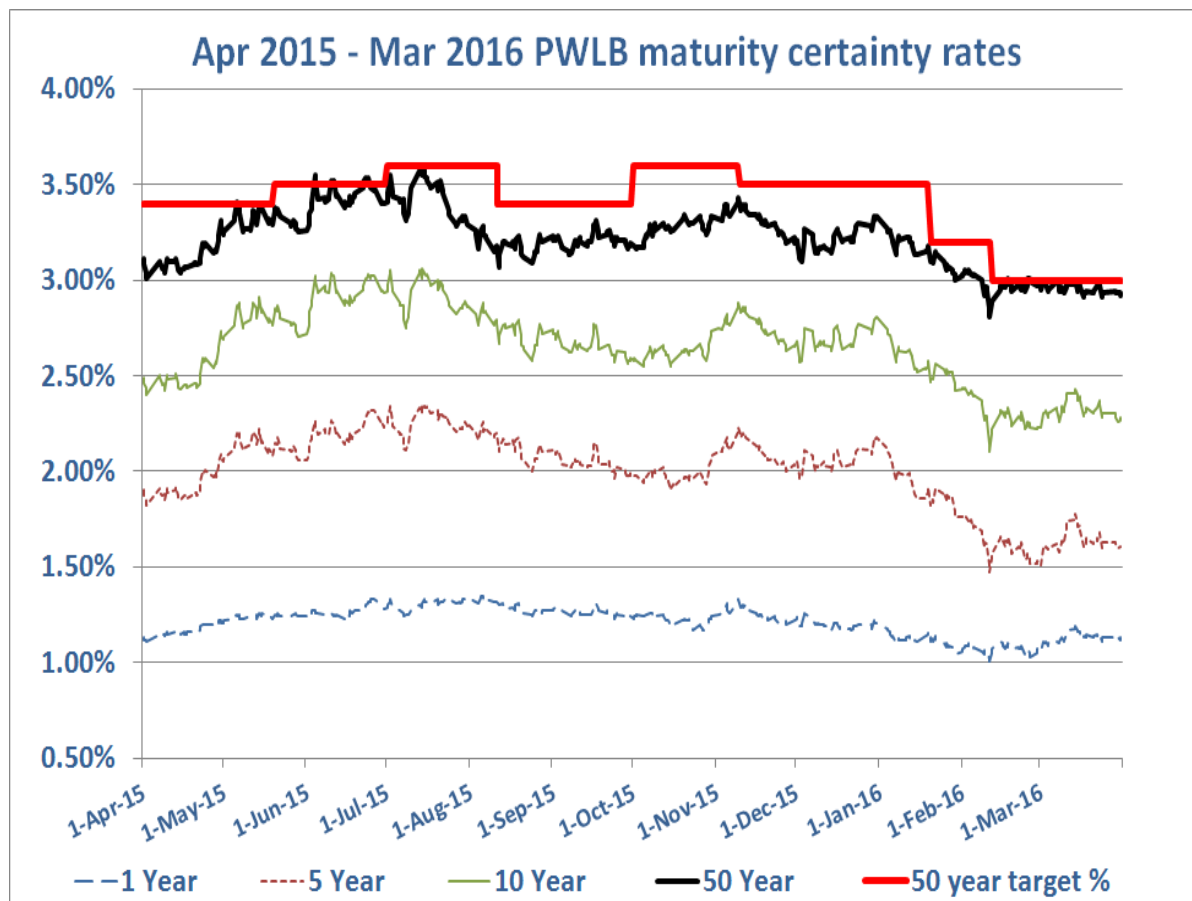
Commentary Provided by Capita Asset Services Ltd

- 8.1 Market expectations for the first increase in Bank Rate moved considerably during 2015/16, starting at quarter 3 2015 but soon moving back to quarter 1 2016. However, by the end of the year, market expectations had moved back radically to quarter 2 2018 due to many fears including concerns that China's economic growth could be heading towards a hard landing; the potential destabilisation of some emerging market countries particularly exposed to the Chinese economic slowdown; and the continuation of the collapse in oil prices during 2015 together with continuing Eurozone growth uncertainties.
- 8.2 These concerns have caused sharp market volatility in equity prices during the year with corresponding impacts on bond prices and bond yields due to safe haven flows. Bank Rate, therefore, remained unchanged at 0.5% for the seventh successive year. Economic growth (GDP) in 2015/16 has been disappointing with growth falling steadily from an annual rate of 2.9% in quarter 1 2015 to 2.1% in quarter 4.
- 8.3 The sharp volatility in equity markets during the year was reflected in sharp volatility in bond yields. However, the overall dominant trend in bond yields since July 2015 has been for yields to fall to historically low levels as forecasts for inflation have repeatedly been revised downwards and expectations of increases in central rates have been pushed back. In addition, a notable trend in the year was that several central banks introduced negative interest rates as a measure to stimulate the creation of credit and hence economic growth.
- 8.4 The ECB commenced a full blown quantitative easing programme of purchases of Eurozone government and other bonds starting in March at €60bn per month. This put downward pressure on Eurozone bond yields. There was a further increase in this programme of QE in December 2015.
- 8.5 As for America, the economy has continued to grow healthily on the back of resilient consumer demand. The first increase in the central rate occurred in December 2015 since when there has been a return to caution as to the speed of further increases due to concerns around the risks to world growth.
- 8.6 The UK elected a majority Conservative Government in May 2015, removing one potential concern but introducing another due to the promise of a referendum on the UK remaining part of the EU. The government maintained its tight fiscal policy stance but the more recent downturn in expectations for economic growth has made it more difficult to return the public sector net borrowing to a balanced annual position within the period of this parliament.

8.0 THE ECONOMY AND INTEREST RATES

8.7. Borrowing Rates in 2015/16

PWLB certainty maturity borrowing rates - the graphs and table for PWLB rates show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, individual rates at the start and the end of the financial year.



9.0 BORROWING OUTTURN FOR 2015/16

New Borrowing

9.1 **Adur District Council** has not carried out any borrowing during the year. Adur held precepts of £282k on behalf of Lancing Parish Council for most of the year as temporary borrowing.

Lender	Principal £000	Type	Interest Rate %	Period Lent	Duration
Lancing PC	282	Variable	LA 7 day notice	1 Apr 2015 - 14 Mar 2016	Variable

9.0 BORROWING OUTTURN FOR 2015/16

9.2 The total cost of interest on the average balance of £75.7m for all borrowing for Adur during the year amounted to £3.1m equating to a weighted average rate of 4.1%. However the debt relating to the HRA self-financing debt settlement payment of £51.185m was granted at a preferential rate of 3.03% and if the residual element (£44.36m) of that loan is excluded, the interest rate on all other historic debt is actually 5.8%.

9.3 **Worthing Borough Council** –Worthing obtained 7 new loans totalling £18.5m, £1.5m of which was for daily cash flow purposes to cover timing differences, with £17m in respect of temporary loans that matured and were formerly obtained up to one year duration to fund the capital programme. These have been re-financed partly on a similar basis and partly with longer term loans to take advantage of the low rates available.

Lender	Principal £000	Type	Interest Rate %	Borrowed	Maturity
Islington Council	5,000	Fixed Principal and Interest	0.75%	May 2015	Nov 2016
London Borough of Ealing	2,000	Fixed Principal and Interest	0.58%	May 2015	May 2016
West Yorkshire Police and CC	2,000	Fixed Principal and Interest	0.50%	June 2015	June 2016
London Borough of Ealing	2,000	Fixed Principal and Interest	0.45%	June 2015	Dec 2015
Hyndburn Borough Council	2,000	Fixed Principal and Interest	0.48%	July 2015	July 2016
Gloucestershire CC	2,000	Fixed Principal and Interest	1.90%	July 2015	July 2020
PWLB	3,500	Fixed Principal and Interest	2.07%	Dec 2015	Dec 2025

9.4 The total cost of interest on all borrowing for 2015/16 amounted to £189k for average balances of £19.3m, equating to a weighted average rate of 0.98%.

9.0 BORROWING OUTTURN FOR 2015/16

Debt Rescheduling

9.5 No debt was rescheduled during the year for either Council.

Repayments of debt

9.6 **Adur District Council's** debt repayments were as follows:-

Lender	Principal £000s	Type	Interest Rate %	Period Lent	Duration
Lancing PC	282	Variable	LA 7 day notice	Apr 2015 - Mar 2016	Variable
PWLB - HRA	1,706	Fixed Principal and Interest	3.03%	March '12 – March'42	40 Years
Salix Finance	12	Variable Profile	0%	Various	4 Years

9.7 **Worthing Borough Council's** debt repayments were as follows:-

Lender	Principal £000	Type	Interest Rate	Period Lent	Duration
Barnsley Doncaster	5,000	Fixed Principal and Interest	0.48%	June 2014 - June 2015	< 1 year
Crawley BC	5,000	Fixed Principal and Interest	0.45%	July 2014 – May 2015	< 1 year
London Borough of Ealing	2,000	Fixed Principal and Interest	0.45%	June 2015 - Dec 2015	< 1 year
Hyndburn Council	2,000	Fixed Principal and Interest	0.43%	July 2014 - July 2015	< 1 year
West Yorkshire PandCC	3,000	Fixed Principal and Interest	0.55%	Sept 2014 - Sept 2015	< 1 year
PWLB	400	Fixed Principal and Interest	2.32% and 1.62%	Oct 2008 and Oct 2014	5 years and 10 years
Salix Finance	52	Fixed Principal and Interest	0%	Jan '11-Sept '14	3 years

10.0 INVESTMENT OUTTURN FOR 2015/16

Investment Strategy

- 10.1 Bank Rate remained at its historic low of 0.5% throughout the year.
- 10.2 The Councils' investment policy is governed by CLG guidance, and implemented in the Annual Investment Strategy and Treasury Management Practices, approved by the Councils before the start of the 2015/16 financial year.
- 10.3 The policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc).
- 10.4 The investment activity during the year conformed to the approved strategy. The outturn performance of both Councils compared to benchmark returns obtained from 91 non-metropolitan councils is summarised below:

Authority	Average Investments During 2015/16	Interest Returned on all Investments	Interest Rate Achieved %	Benchmark Interest Rate %
Adur	£18.7m	£172,566	0.92%	0.74%
Worthing	£14.0m	£101,181	0.72%	0.74%

- 10.5 As can be seen in the table above, both Councils exceeded or were close to the benchmark returns. Worthing's average rate of return was below Adur's, reflecting the respective cash flow positions of each Council during the year. In particular Worthing had a higher incidence of temporary borrowing during the year, resulting in shorter dated investments when cash was available. The performance outturn for Worthing also reflects the use of cash surpluses (internal borrowing) to fund capital expenditure as an alternative to more expensive borrowing, and the time delay relating to asset sales.

11.0 OTHER ISSUES

Joint Working Shared Services Arrangements

- 11.1 Since 2010 the treasury management team for Adur and Worthing Councils has provided Treasury Management services for Mid Sussex District Council. The arrangement was extended for a further three years from October 2013, for which Adur and Worthing Councils will jointly receive an agreed fee of £29,510 per year.

12.0 CONCLUSIONS

12.1 The Treasury Management strategy was generally followed as expected, primarily by internal borrowing for Adur and short term borrowing for Worthing. The outturn position for both Councils was positive against the estimated treasury management budgets and is detailed in the Revenue Outturn Report that went to the Joint Strategic Committee on July 13th 2016.

13.0 RECOMMENDATIONS

13.1 The Joint Governance and Audit Committee is recommended to note this report and refer any comments or suggestions to the next meeting of the JSC on 11 October, 2016.

13.2 The Joint Strategic Committee (JSC) is recommended to note this report.

Background Papers:

Joint Treasury Management Strategy Statement and Annual Investment Strategy Report 2015/16 to 2017/18 – Joint Strategic Committee 5 February 2015, and Joint Governance and Audit Committee, 24 March 2015

Joint Half-Year In-House Treasury Management Operations Report 1 April – 30 September 2015 for Adur District Council and Worthing Borough Council - Joint Governance and Audit Committee, 19 January 2016

Capita Asset Services Ltd Annual Report Template 2015/16

Capita Benchmarking Club Reports

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SCHEDULE OF OTHER MATTERS

1.0 COUNCIL PRIORITY

1.1 The Councils' Treasury Management Strategy and Annual Investment Strategy place the security of investments as foremost in considering all treasury management dealing. By so doing it contributes towards the following Council priority:

- To protect and enhance priority services.

2.0 SPECIFIC ACTION PLANS

2.1 As contained within the Councils' Treasury Management Strategy and Annual Investment Strategy 2015/16 - 2017/18, submitted and approved before the commencement of the 2015/16 financial year.

3.0 SUSTAINABILITY ISSUES

3.1 Matter considered and no issues identified

4.0 EQUALITY ISSUES

4.1 Matter considered and no issues identified

5.0 COMMUNITY SAFETY ISSUES

5.1 Matter considered and no issues identified

6.0 HUMAN RIGHTS ISSUES

6.1 Matter considered and no issues identified

7.0 REPUTATION

7.1 Matter considered and no issues identified

8.0 CONSULTATIONS

8.1 Matter considered and no issues identified

9.0 RISK ASSESSMENT

9.1 In the current economic climate the security of investments is paramount, the management of which includes regular monitoring of the credit ratings and other incidental information relating to credit worthiness of the Councils' investment counterparties.

10.0 HEALTH and SAFETY ISSUES

10.1 Matter considered and no issues identified

11.0 PROCUREMENT STRATEGY

11.1 Matter considered and no issues identified

12.0 PARTNERSHIP WORKING

12.1 Matter considered and no issues identified

The Councils' Capital Expenditure and Financing 2015/16

Adur District Council – Capital Expenditure	2015/16 Original Budget £000s	2015/16 Actual £000s
General Fund capital expenditure	1,218	4,965
HRA capital expenditure	3,605	4,651
Total capital expenditure	4,823	9,616
Resourced by:		
• Capital receipts	400	372
• Capital grants and Contributions	293	1,591
• Revenue Reserves and Contributions	3,226	4,380
Unfinanced capital expenditure *	904	3,273

Worthing Borough Council – Capital Expenditure	2015/16 Original Budget £000s	2015/16 Actual £000s
General Fund capital expenditure	8,319	2,373
Total capital expenditure	8,319	2,373
Resourced by:		
• Capital receipts	225	590
• Capital grants and Contributions	1,244	865
• Revenue Reserves and Contributions	350	212
Unfinanced capital expenditure *	6,500	706

* The Unfinanced Capital Expenditure adds to the Capital Financing Requirement (CFR), and therefore the need to borrow and make Minimum Revenue Provisions (MRP) for repayment of debt.

THE COUNCILS' PRUDENTIAL INDICATORS

1. ADUR - PRUDENTIAL INDICATORS – CAPITAL FINANCING REQUIREMENT	2014/15 Actual	2015/16 Original Estimate	2015/16 Actual
	£'000	£'000	£'000
Capital Expenditure			
General Fund	3,456	1,218	4,965
HRA (applies only to housing authorities)	3,749	3,605	4,651
TOTAL	7,205	4,823	9,616
Net borrowing Position			
Brought forward 1 April	60,074	59,117	60,911
Carried forward 31 March	60,911	57,853	61,193
In year Increase - / Decrease +	-837	1,264	-282
Capital Financing Requirement as at 31 March			
General Fund	12,449	14,534	15,003
HRA (applies only to housing authorities)	63,536	62,192	61,819
TOTAL	75,985	76,726	76,822
Annual change in Cap. Financing Requirement			
General Fund	1418	64	2,554
HRA (applies only to housing authorities)	-1717	-1717	-1,717
TOTAL	-299	-1,653	837

THE COUNCILS' PRUDENTIAL INDICATORS

2. ADUR - TREASURY MANAGEMENT INDICATORS FOR EXTERNAL DEBT	2014/15 Actual	2015/16 Original	2015/16 Actual
	£'000	£'000	£'000
Authorized Limit for external debt -			
Borrowing	99,000	99,000	99,000
Other long term liabilities	1,000	1,000	1,000
TOTAL	100,000	100,000	100,000
Operational Boundary for external debt -			
Borrowing	93,000	93,000	93,000
Other long term liabilities	1,000	1,000	1,000
TOTAL	94,000	94,000	94,000
Compared to actual maximum external debt during the year	78,209	78,378	75,986

3. ADUR - TREASURY MANAGEMENT INDICATORS FOR AFFORDABILITY	2014/15 Actual	2015/16 Original	2015/16 Actual
Ratio of financing costs to net revenue stream			
General Fund	15.31%	13.03%	13.93%
HRA (applies only to housing authorities)	42.46%	40.93%	41.94%
Incremental impact of capital investment decisions			
Increase/-decrease in council tax (band D) per annum	£5.31	£2.65	-£5.92
Increase/-decrease in average housing rent per week (Housing authorities only)	-£0.44	-£1.05	-£0.39

THE COUNCILS' PRUDENTIAL INDICATORS

4. ADUR - TREASURY MANAGEMENT INDICATORS FOR INTEREST RATE and REPAYMENT RISK	2015/16 Limits	2015/16 Actual
Upper limit for fixed interest rate exposure Expressed as : Fixed rate borrowing as % of Net Total Borrowing	82%	82%
Upper limit for variable rate exposure Expressed as – Variable rate Investments as % of Net Total Borrowing	19%	18%
Upper limit for total principal sums invested for over 364 days	50%	15%
Adur Maturity structure of fixed rate borrowing at 31 March 2016	Upper Limit	Lower Limit
Maturing within one year	17%	2%
Maturing in 1-2 years	17%	2%
Maturing in 2-5 years	21%	7%
Maturing in 5-10 years	28%	14%
Maturing in more than 10 years	75%	75%

The difference between the Upper and Lower limits reflects the effect of callable loans (LOBOS) being called at the lender's earliest option or the same loans being held to maturity. The LOBOS are held with Barclays Bank which has now amended the terms of the loans, removing its right to change the interest rate. Consequently these loans will be treated as fixed rate loans for all future reports and there will be no difference between the Upper and Lower Limits in the maturity structure.

THE COUNCILS' PRUDENTIAL INDICATORS

1. PRUDENTIAL INDICATORS - WORTHING CAPITAL FINANCING REQUIREMENT	2014/15 Actual	2015/16 Original	2015/16 Actual
	£'000	£'000	£'000
Capital Expenditure			
General Fund	3,303	8,319	2,373
TOTAL	3,303	8,319	2,373
Net Investments (-) / Borrowing Position			
Brought forward 1 April	11,992	16,038	12,013
Carried forward 31 March	12,013	1,115	11,011
In year Increase - / Decrease +	-21	14,923	1,002
Capital Financing Requirement as at 31 March			
General Fund	23,527	31,172	23,361
Annual change in Cap. Financing Requirement			
General Fund	174	7,645	-166

2. WORTHING - TREASURY MANAGEMENT INDICATORS FOR EXTERNAL DEBT	2014/15 Limit	2015/16 Limit
	£'000	£'000
Authorised Limit for external debt -		
Borrowing	24,000	34,000
Other long term liabilities	1,000	1,000
TOTAL	25,000	35,000
Operational Boundary for external debt -		
Borrowing	19,000	29,000
Other long term liabilities	1,000	1,000
TOTAL	20,000	30,000
Compared to actual maximum external debt during the year	Actual 23,462	Actual 21,251

THE COUNCILS' PRUDENTIAL INDICATORS

3. WORTHING - TREASURY MANAGEMENT INDICATORS FOR AFFORDABILITY	2014/15 Actual	2015/16 Original	2015/16 Actual
	£'000	£'000	£'000
Incremental impact of capital investment decisions - affordability			
Increase (+) / decrease (-) in council tax (band D) per annum	£5.47	£13.30	-£1.77
Ratio of financing costs to net revenue stream General Fund	8.16%	8.50%	7.36%

4. WORTHING - TREASURY MANAGEMENT INDICATORS FOR INTEREST RATE and REPAYMENT RISK	2015/16 Limits	2015/16 Actual
Upper limit for fixed interest rate exposure Expressed as : Fixed rate borrowing as % of total borrowing	100%	100%
Upper limit for variable rate exposure Expressed as – Variable rate Investments as % of Net Total Borrowing	-100%	-27%
Upper limit for total principal sums invested for over 364 days	50%	0%
Worthing Maturity Structure of fixed rate borrowing at 31 March 2016		
Maturing within one year		62%
Maturing in 1-2 years		4%
Maturing in 2-5 years		21%
Maturing in 5-10 years		13%

ADUR DC - PORTFOLIO OF INVESTMENTS & LOANS**INVESTMENTS AT 31 MARCH 2015**

Deal Ref	Counterparty	Start Date	Maturity Date	Term (Days)	Principal (£)	Interest Rate %
5980	BARCLAYS TREASURY DEPOSIT	22-Apr-14	21-Apr-15	364	1,000,000	0.86
5987	BARCLAYS TREASURY DEPOSIT	27-Jun-14	25-Jun-15	363	1,000,000	0.96
5982	BANK OF SCOTLAND	07-May-14	06-May-15	364	1,000,000	0.95
5986	LEEDS BUILDING SOCIETY	02-Jun-14	01-Jun-15	364	1,000,000	0.65
5985	LLOYDS TSB BANK	22-May-14	21-May-15	364	1,000,000	0.95
5990	LLOYDS TSB BANK	03-Jul-14	25-Jun-15	357	1,000,000	0.92
6001	NATIONWIDE BLDG SOCIETY	07-Oct-14	13-Apr-15	188	1,000,000	0.67
6005	NATIONWIDE BLDG SOCIETY	26-Nov-14	25-Nov-15	364	1,000,000	0.97
6008	NATIONWIDE BLDG SOCIETY	13-Mar-15	11-Mar-16	364	1,000,000	0.90
5989	SANTANDER CORP BANKING	01-Jul-14	25-Jun-15	359	2,000,000	0.90
6006	SKIPTON BUILDING SOCIETY	02-Dec-14	01-Dec-15	364	1,000,000	0.95
6007	SKIPTON BUILDING SOCIETY	06-Jan-15	05-Jan-16	364	1,000,000	0.95
50782	LOCAL CAPITAL FINANCE	30-Sep-14			50,000	
50783	W SUSSEX CREDIT UNION	06-Mar-15			25,000	
50781	KINGSTON UPON HULL COUNCIL	02-Dec-13	30-Nov-18	1824	2,000,000	1.90
TOTAL INVESTMENTS AT 31 MARCH 2015					15,075,000	

INVESTMENTS AT 31 MARCH 2016

Deal Ref	Counterparty	Start Date	Maturity Date	Term (Days)	Principal (£)	Interest Rate %
6014	BARCLAYS TREASURY DEPOSIT	21-Apr-15	19-Apr-16	364	1,000,000	0.92
6022	BARCLAYS TREASURY DEPOSIT	02-Sep-15	31-Aug-16	364	1,000,000	1.00
6025	BARCLAYS TREASURY DEPOSIT	30-Sep-15	28-Sep-16	364	1,000,000	0.99
6029	BARCLAYS TREASURY DEPOSIT	25-Nov-15	24-Nov-16	365	1,000,000	0.97
6024	LLOYDS BANK	16-Sep-15	15-Sep-16	365	1,000,000	1.05
6027	LLOYDS BANK	09-Oct-15	10-Oct-16	367	1,000,000	1.05
6032	NATIONWIDE BLDG SOCIETY	25-Jan-16	25-Apr-16	91	1,000,000	0.50
6034	NATIONWIDE BLDG SOCIETY	17-Mar-16	28-Jul-16	133	1,000,000	0.57
6023	SANTANDER UK	02-Sep-15	31-Aug-16	364	2,000,000	1.00
6031	STIRLING COUNCIL	11-Dec-15	01-Apr-16	112	1,000,000	0.50
50782	LOCAL CAPITAL FINANCE	30-Sep-14			50,000	
50783	W SUSSEX CREDIT UNION	06-Mar-15			25,000	
50781	KINGSTON UPON HULL COUNCIL	02-Dec-13	30-Nov-18	1824	2,000,000	1.90
TOTAL INVESTMENTS AT 31 MARCH 2016					13,075,000	

BORROWING at 31 March

Deal Ref	Counterparty	Type	Start Date	Maturity Date	Term (Yrs)	Principal (£) at 31 March 2015	Interest Rate %	Principal (£) at 31 March 2016
1388	BARCLAYS CAPITAL	M	22-Aug-05	24-Aug-65	60	3,563,270	5.150	3,563,270
1389	BARCLAYS CAPITAL	M	22-Aug-05	24-Aug-65	60	3,563,270	5.150	3,563,270
1390	BARCLAYS CAPITAL	M	22-Aug-05	24-Aug-65	60	3,563,270	5.150	3,563,270
1391	DEPFA BANK PLC	M	30-Mar-07	30-Mar-67	60	3,250,000	6.660	3,250,000
1392	DEPFA BANK PLC	M	30-Mar-07	30-Mar-67	60	4,000,000	4.035	4,000,000
476087	PUBLIC WORKS LOAN BOAR P		13-Jun-95	21-Dec-54	59	1,000,000	8.375	1,000,000
476088	PUBLIC WORKS LOAN BOAR P		13-Jun-95	21-Dec-53	58	1,000,000	8.375	1,000,000
476089	PUBLIC WORKS LOAN BOAR P		13-Jun-95	21-Dec-52	57	1,000,000	8.375	1,000,000
478322	PUBLIC WORKS LOAN BOAR P		17-Oct-96	07-May-56	60	1,000,000	8.000	1,000,000
479540	PUBLIC WORKS LOAN BOAR P		28-May-97	21-Dec-56	59	1,000,000	7.375	1,000,000
479868	PUBLIC WORKS LOAN BOAR P		24-Sep-97	12-Apr-57	60	1,000,000	7.125	1,000,000
479888	PUBLIC WORKS LOAN BOAR P		24-Sep-97	12-Apr-57	60	1,000,000	6.750	1,000,000
481007	PUBLIC WORKS LOAN BOAR P		09-Jun-98	11-Jan-58	60	1,000,000	5.750	1,000,000
481320	PUBLIC WORKS LOAN BOAR P		17-Sep-98	11-Apr-55	57	455,795	5.250	455,795
482485	PUBLIC WORKS LOAN BOAR P		22-Apr-99	11-Apr-59	60	1,000,000	4.750	1,000,000
483648	PUBLIC WORKS LOAN BOAR P		25-Nov-99	02-Aug-59	60	726,000	4.500	726,000
483649	PUBLIC WORKS LOAN BOAR P		25-Nov-99	02-Aug-59	60	273,531	4.500	273,531
484177	PUBLIC WORKS LOAN BOAR P		20-Apr-00	07-Nov-24	24	1,000,000	5.125	1,000,000
485172	PUBLIC WORKS LOAN BOAR P		18-Jan-01	15-Sep-25	24	335,133	4.625	335,133
485173	PUBLIC WORKS LOAN BOAR P		18-Feb-01	15-Sep-25	24	164,867	4.875	164,867
499487	PUBLIC WORKS LOAN BOAR T		28-Mar-12	28-Mar-42	30	46,066,500	3.030	44,360,333
12	SALIX FINANCE		02-Feb-12	01-Sep-15	4	1,729	0.000	0
13	SALIX FINANCE		07-Feb-13	01-Sep-16	4	482	0.000	161
17	SALIX FINANCE		03-Apr-13	01-Mar-17	3.91	401	0.000	200
20	SALIX FINANCE		02-Aug-13	01-Mar-17	3.58	7,039	0.000	3,520
21	SALIX FINANCE		12-Feb-14	01-Sep-17	3.55	15,000	0.000	9,000
						75,986,287		74,268,350
NET BORROWING =						60,911,287		61,193,350
						31 March 2015		31 March 2016

WORTHING BC - PORTFOLIO OF INVESTMENTS & LOANS

INVESTMENTS at 31 March 2015

Deal Ref.	Counterparty	Start Date	Maturity Date	Term (Days)	Principal (£)	Interest Rate %
1132	BARCLAYS BANK	02-Jun-14	21-May-15	353	2,000,000.00	0.87
1157	BARCLAYS BANK	19-Mar-15	18-Mar-16	365	1,000,000.00	0.92
1154	NATIONWIDE BLDG SOCIETY	19-Jan-15	18-Jan-16	364	1,000,000.00	0.90
1155	NATIONWIDE BLDG SOCIETY	09-Feb-15	08-Feb-16	364	1,000,000.00	0.90
1156	SKIPTON BUILDING SOCIETY	13-Mar-15	11-Mar-16	364	1,000,000.00	0.97
9001	LOCAL CAPITAL FINANCE	03-Sep-14			50,000.00	
9002	W SUSSEX CREDIT UNION	06-Mar-15			25,000.00	
					6,075,000	

INVESTMENTS at 31 March 2016

Deal Ref.	Counterparty	Start Date	Maturity Date	Term (Days)	Principal (£)	Interest Rate %
1158	FEDERATED INVESTORS MMF	01-Apr-15			3,000,000	
1153	HANDELSBANKEN	05-Jan-15			50,000	0.35
1175	BARCLAYS BANK	15-Dec-15	14-Dec-16	365	1,000,000	1.00
1177	BARCLAYS BANK	06-Jan-16	04-Jan-17	364	1,000,000	1.01
1176	LLOYDS BANK	05-Jan-16	03-Jan-17	364	1,000,000	1.05
1178	LLOYDS BANK	20-Jan-16	20-Apr-16	91	1,000,000	0.57
1179	STOCKPORT MET COUNCIL	17-Mar-16	19-May-16	63	1,000,000	0.46
9001	LOCAL CAPITAL FINANCE	03-Sep-14			50,000.00	
9002	W SUSSEX CREDIT UNION	06-Mar-15			25,000.00	
					8,125,000	

BORROWING at 31 March

Deal Ref.	Counterparty	Start Date	Maturity Date	Term (Yrs)	Principal (£) at 31 March 2015	Interest Rate %	Principal (£) at 31 March 2016
19	SALIX FINANCE	02-Feb-12	01-Sep-15	4	11,393	0.00	0
20	SALIX FINANCE	02-Feb-12	01-Sep-15	4	9,654	0.00	0
27	SALIX FINANCE	07-Feb-13	01-Sep-16	4	13,311	0.00	4,437
29	SALIX FINANCE	03-Apr-13	01-Mar-17	3.91	894	0.00	447
33	SALIX FINANCE	02-Aug-13	01-Mar-17	3.58	5,183	0.00	2,592
35	SALIX FINANCE	23-Dec-13	01-Sep-17	3.69	28,991	0.00	17,395
37	SALIX FINANCE	12-Feb-14	01-Sep-17	3.55	18,344	0.00	11,006
38	BARNESLEY DONCASTER	26-Jun-14	25-Jun-15	1.00	5,000,000	0.48	0
39	CRAWLEY BOROUGH COUNCIL	14-Jul-14	14-May-15	0.83	5,000,000	0.45	0
40	HYNDBURN BOROUGH COUNCIL	14-Jul-14	13-Jul-15	1.00	2,000,000	0.43	0
45	W YORKS POLICE & CRIME COMM	22-Sep-14	21-Sep-15	1.00	3,000,000	0.55	0
46	EALING COUNCIL	15-May-15	13-May-16	1.00	0	0.58	2,000,000
47	W YORKS POLICE & CRIME COMM	05-Jun-15	03-Jun-16	1.00	0	0.50	2,000,000
49	HYNDBURN BOROUGH COUNCIL	13-Jul-15	11-Jul-16	1.00	0	0.48	2,000,000
50	GLOUCESTERSHIRE COUNTY COUNCIL	30-Jul-15	30-Jul-20	5.00	0	1.90	2,000,000
9002	ISLINGTON FINANCE	14-May-15	14-Nov-16	1.51	0	0.75	5,000,000
503406	PUBLIC WORKS LOAN BOARD	22-Oct-14	22-Oct-24	10.00	2,000,000	2.32	1,800,000
503538	PUBLIC WORKS LOAN BOARD	12-Dec-14	12-Dec-19	5.00	1,000,000	1.62	800,000
504511	PUBLIC WORKS LOAN BOARD	02-Dec-15	02-Dec-25	10.00	0		3,500,000
					18,087,770		19,135,877
					31 March 2015		31 March 2016
NET BORROWING =					£12,012,770		£11,010,877