

## Prudential Indicators 2017/18

### 1. Background

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

### 2. Estimates of Capital Expenditure

The Authority's planned capital expenditure and financing may be summarised as follows.

<b>Capital Expenditure and Financing</b>	<b>2016/17 Revised £'000</b>	<b>2017/18 Estimate £'000</b>	<b>2018/19 Estimate £'000</b>	<b>2019/20 Estimate £'000</b>
<b>Total Capital Expenditure</b>	<b>31,592</b>	<b>25,509</b>	<b>10,293</b>	<b>6,675</b>
Capital Receipts	515	1,256	0	0
Government Grants	10,540	6,713	2,525	2,525
Revenue	6,151	8,850	3,499	0
Supported Borrowing	4,136	4,150	4,150	4,150
Prudential borrowing	10,250	4,540	119	0
<b>Total Financing</b>	<b>31,592</b>	<b>25,509</b>	<b>10,293</b>	<b>6,675</b>

### 3. Estimates of Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

<b>Capital Financing Requirement</b>	<b>31.03.17 Revised £'000</b>	<b>31.03.18 Estimate £'000</b>	<b>31.03.19 Estimate £'000</b>	<b>31.03.20 Estimate £'000</b>
<b>Total CFR</b>	<b>178,281</b>	<b>179,581</b>	<b>176,390</b>	<b>172,985</b>

The CFR is forecast to decrease by £5.296m over the next three years as capital expenditure financed by debt no longer outweighs resources put aside for debt repayment.

#### 4. Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

<b>Debt</b>	<b>31.03.17 Revised £'000</b>	<b>31.03.18 Estimate £'000</b>	<b>31.03.19 Estimate £'000</b>	<b>31.03.20 Estimate £'000</b>
Borrowing	107,497	106,790	106,790	106,083
Finance leases	0	0	0	0
PFI	0	0	0	0
<b>Total Debt</b>	<b>107,497</b>	<b>106,790</b>	<b>106,790</b>	<b>106,083</b>

Total debt is expected to remain below the CFR during the forecast period.

#### 5. Operational Boundary for External Debt

The operational boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case, scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

<b>Operational Boundary</b>	<b>31.03.17 Revised £'000</b>	<b>31.03.18 Estimate £'000</b>	<b>31.03.19 Estimate £'000</b>	<b>31.03.20 Estimate £'000</b>
Borrowing	180,000	180,000	190,000	190,000
Other long-term liabilities	0	0	0	0
<b>Total Debt</b>	<b>180,000</b>	<b>180,000</b>	<b>190,000</b>	<b>190,000</b>

## 6. Authorised Limit for External Debt

The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

<b>Authorised Limit</b>	<b>2016/17 Revised £'000</b>	<b>2017/18 Estimate £'000</b>	<b>2018/19 Estimate £'000</b>	<b>2019/20 Estimate £'000</b>
Borrowing	190,000	190,000	200,000	200,000
Other long-term liabilities	0	0	0	0
<b>Total Debt</b>	<b>190,000</b>	<b>190,000</b>	<b>200,000</b>	<b>200,000</b>

## 7. Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2016/17 Revised %</b>	<b>2017/18 Estimate %</b>	<b>2018/19 Estimate %</b>	<b>2019/20 Estimate %</b>
General Fund	5.95	5.78	5.81	6.07

## 8. Incremental Impact of Capital Investment Decisions

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the proposed capital programme.

<b>Incremental Impact of Capital Investment Decisions</b>	<b>2017/18 Estimate £</b>	<b>2018/19 Estimate £</b>	<b>2019/20 Estimate £</b>
General Fund - increase in annual band D Council Tax	0	0	0

## **9. Adoption of the CIPFA Treasury Management Code**

The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* at its full Council meeting on 3<sup>rd</sup> March 2011.