

# Prudential Indicators

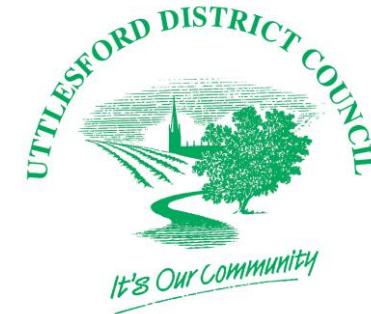
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2016/17

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## 1.0 - Introduction

- 1.1 This report covers the requirements of the 2011 CIPFA Prudential Code (as amended in 2012) to set prudential indicators. This item should be approved by the full Council before the start of the new financial year which is a legislative requirement.

## 2.0 - Background

- 2.1 Prudential Indicators 2016/17:
- The Local Government Act 2003 requires the Council 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.
- 2.2 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.
- 2.3 To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.



## 3.0 – Capital Expenditure

3.1 The Council's planned capital expenditure and financing may be summarised as follows:

<b>Capital Expenditure - General Fund</b> <b>£000s</b>	2015/16 Current Budget	2015/16 Forecast Spend	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget	Total
<b>Total Capital Expenditure</b>	<b>4,701</b>	<b>3,575</b>	<b>3,227</b>	<b>1,731</b>	<b>1,143</b>	<b>3,041</b>	<b>1,398</b>	<b>18,816</b>
<b>Financing - General Fund</b>								
Grants & Contributions	(133)	(690)	(403)	(403)	(403)	(403)	(300)	(2,735)
Revenue Contributions	(3,124)	(2,252)	(1,513)	(594)	(555)	(649)	(685)	(9,372)
General Fund Capital Receipts	0	(76)	(34)	0	0	0	0	(110)
Internal Borrowing	(1,444)	(557)	(1,277)	(734)	(185)	(1,989)	(413)	(6,599)
<b>Total Capital Financing</b>	<b>(4,701)</b>	<b>(3,575)</b>	<b>(3,227)</b>	<b>(1,731)</b>	<b>(1,143)</b>	<b>(3,041)</b>	<b>(1,398)</b>	<b>(18,816)</b>
<b>Net Financing Need (External Borrowing)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Housing Revenue Account Capital Schemes</b> <b>£000s</b>	2015/16 Current Budget	2015/16 Forecast Spend	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget	Total
<b>Total Capital Expenditure</b>	<b>10,403</b>	<b>7,371</b>	<b>12,520</b>	<b>5,712</b>	<b>4,891</b>	<b>5,545</b>	<b>4,185</b>	<b>50,627</b>
<b>Financing - Housing Revenue Account</b>								
Major Repairs Reserve Contribution	(3,209)	(3,209)	(3,280)	(3,356)	(3,432)	(3,395)	(3,537)	(23,418)
HRA Financial Headroom - Specific Schemes	(3,632)	(2,947)	(3,457)	(1,850)	(910)	(662)	(322)	(13,780)
HRA Revenue Contributions	(239)	(78)	0	0	(13)	0	0	(330)
HRA Headroom - Funded from reserves	(2,989)	(833)	(4,660)	(146)	(146)	(858)	(146)	(9,778)
Grants & Contributions			(902)					(902)
S106 - Housing Partnership Funding - HRA	0	0	0	0	0	0	0	0
Capital Receipts - RTB	(334)	(304)	(221)	(360)	(390)	(630)	(180)	(2,419)
Internal Borrowing	0	0	0	0	0	0	0	0
<b>Total Financing</b>	<b>(10,403)</b>	<b>(7,371)</b>	<b>(12,520)</b>	<b>(5,712)</b>	<b>(4,891)</b>	<b>(5,545)</b>	<b>(4,185)</b>	<b>(50,627)</b>
<b>Net Financing Need (External Borrowing)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### 4.0 – Capital Financing Requirement

##### 4.1 Estimates of Capital Financing Requirement:

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

CAPITAL FINANCING REQUIRMENT	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	7,555	8,253	8,339	7,762	8,995	8,890
Housing Revenue Account (HRA)	88,383	88,383	86,383	84,383	82,383	80,383
<b>TOTAL</b>	<b>95,938</b>	<b>96,636</b>	<b>94,722</b>	<b>92,145</b>	<b>91,378</b>	<b>89,273</b>

#### 5.0 – Operational Boundary

5.1 The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It links directly to the Council'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 Council's debt.

#### 6.0 - Authorised Limit

6.1 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 Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Prudential Indicator	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Operational Boundary	93,385	93,268	93,151	91,034	88,917	86,749
Authorised Limit	101,385	101,268	101,151	99,034	96,917	94,749

## 7.0 – Ratio of Financing Costs to Net Revenue Stream

## 7.1 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>ESTIMATE OF THE RATIO OF FINANCING COSTS TO NET REVENUE</b>	<b>Forecast 2014/15</b>	<b>Estimate 2015/16</b>	<b>Estimate 2016/17</b>	<b>Estimate 2017/18</b>	<b>Estimate 2018/19</b>	<b>Estimate 2019/20</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
General Fund	8.00%	8.18%	9.04%	9.48%	9.76%	9.25%
Housing Revenue Account	17.10%	16.93%	16.76%	16.57%	16.17%	15.73%

## 8.0 – Incremental Impact of Capital Investment Decisions

## 8.1 Incremental Impact of Capital Investment Decisions:

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and housing rent 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 capital programme proposed earlier in this report.

<b>INCREMENTAL IMPACT OF CAPITAL INVESTMENT</b>	<b>Forecast 2015/16</b>	<b>Estimate 2016/17</b>	<b>Estimate 2017/18</b>	<b>Estimate 2018/19</b>	<b>Estimate 2019/20</b>	<b>Estimate 2020/21</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
General Fund, Council Tax Impact	13.31	54.31	3.05	3.76	3.28	0.00
Housing Revenue Account (AWR)	2.51	-2.71	14.82	2.25	-3.82	0.00

AWR = Average Weekly Rent



## 9.0 – Interest Rate Exposure

## 9.1 Interest Rate Exposures:

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net interest payable.

Interest Rate Exposure	Forecast 2015/16 £'000	Estimate 2016/17 £'000	Estimate 2017/18 £'000	Estimate 2018/19 £'000	Estimate 2019/20 £'000	Estimate 2020/21 £'000
Limit and Fixed Interest Rate paid on Net Debt	2,570	2,570	2,570	2,570	2,570	2,570
	3.28%	3.28%	3.28%	3.28%	3.28%	3.28%
Limit and Variable Interest Rate paid based on Net Debt	75	100	125	120	105	80
	0.75%	1.00%	1.25%	1.20%	1.31%	1.33%

Fixed Rate Limit 4%

Variable Rate Limit 2%

## 10.0 – Liquidity / Refinancing

## 10.1 Maturity Structure of Borrowing:

This indicator is set to control the Council's exposure to refinancing risk. This is the upper limit on the maturity structure of **fixed** rate borrowing.

10.2 The limits are set for each category to ensure that the Council avoids fixed rate loans being matured in one time and spreads that across several periods.

Liquidity/Refinancing	2016/17 £000's
Maturity Structure - Upper Limit	
Under 5 Years	6,000
5 years to 10 years	15,000
11 years to 20 years	37,000
21 years and above	30,407
<b>Total</b>	<b>88,407</b>

An example for clarity: If the Council decides to borrow £7m **fixed rate** loan in 2016/17 it must ensure that the Council's total **fixed** rate loan should not all mature within the next five years as it is capped at £6m.