Treasury Management - Prudential Indicators

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.

Prudential Indicators 2017/18:

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.

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 Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

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

General Fund

Capital Expenditure - General Fund	2016/17	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
£000s	Current	Forecast	Budget	Budget	Budget	Budget	Budget	
	Budget	Spend						
Total Capital Expenditure	4,601	4,257	2,985	1,786	1,908	2,035	1,209	14,180
Financing - General Fund								
Grants & Contributions	(466)	(466)	(466)	(466)	(466)	(466)	(466)	(2,796)
Revenue Contributions	(2,702)	(2,329)	(981)	(552)	(626)	(589)	(589)	(5,666)
General Fund Capital Receipts	0	0	0	0	0	0	0	0
Internal Borrowing	(1,433)	(1,462)	(1,538)	(768)	(816)	(980)	(154)	(5,718)
Total Capital Financing	(4,601)	(4,257)	(2,985)	(1,786)	(1,908)	(2,035)	(1,209)	(14,180)
Net Financing Need (External Borrowing)	0	0	0	0	0	0	0	0

Housing Revenue Account (HRA)

Capital Schemes - HRA	2016/17	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
£000s	Current	Forecast	Budget	Budget	Budget	Budget	Budget	
	Budget	Spend						
Total Capital Expenditure	14,037	8,128	12,127	5,651	6,095	5,165	5,185	42,351
Financing - Housing Revenue Account								
Major Repairs Reserve Contribution	(3,431)	(3,470)	(3,406)	(3,445)	(3,445)	(3,593)	(3,679)	(21,038)
HRA Financial Headroom - Specific Schemes	(3,378)	0	(5,744)	(948)	(831)	(758)	(856)	(9,137)
HRA Revenue Contributions	(50)	(51)	(187)	0	0	0	0	(238)
HRA Headroom - Funded from reserves	(5,743)	(3,373)	(2,229)	(640)	(1,024)	(340)	(170)	(7,776)
Grants & Contributions	(1,103)	(1,103)	0					(1,103)
S106 - Housing Partnership Funding - HRA	0	0	0	0	0	0	0	0
Capital Receipts - RTB	(332)	(131)	(561)	(618)	(795)	(474)	(480)	(3,059)
Internal Borrowing	0	0	0	0	0	0	0	0
Total Financing	(14,037)	(8,128)	(12,127)	(5,651)	(6,095)	(5,165)	(5,185)	(42,351)
Net Financing Need (External Borrowing)	0	0	0	0	0	0	0	0

Estimates of Capital Financing Requirement:

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

CAPITAL FINANCING REQUIREMENT	Forecast 2016/17	Estimate 2017/18	Estimate 2018/19	Estimate 2019/20	Estimate 2021/21	Estimate 2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	9,042	9,805	9,560	9,316	9,453	8,840
Housing Revenue Account (HRA)	88,407	86,407	84,407	82,407	80,407	78,407
TOTAL	97,449	96,212	93,967	91,723	89,860	87,247

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.

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	Estimate 2016/17	Estimate 2017/18	Estimate 2018/19		Estimate 2020/21	Estimate 2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Operational Boundary	93,260	91,147	89,026	86,895	84,753	82,598
Authorised Limit	250,000	250,000	250,000	250,000	250,000	250,000

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.

	Estimate 2016/17	Estimate 2017/18	Estimate 2018/19		Estimate 2020/21	Estimate 2021/22
General Fund	10.41%	13.37%	17.82%	18.02%	15.20%	13.66%
Housing Revenue Account	17.60%	18.64%	18.79%	18.41%	17.97%	17.46%

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.

	Estimate 2016/17	Estimate 2017/18	Estimate 2018/19	Estimate 2019/20	Estimate 2020/21	Estimate 2020/21
	£	£	£	£	£	£
General Fund, Council Tax						
Impact	116.53	73.12	36.57	38.14	39.60	17.90
Housing Revenue Account						
(AWR)	62.65	23.39	55.75	10.85	12.67	7.50

Interest Rate Exposures:

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

	Forecast 2016/17	Estimate 2017/18	Estimate 2018/19	Estimate 2019/20	Estimate 2020/21	Estimate 2021/22
Interest Rate Exposure						
	£'000	£'000	£'000	£'000	£'000	£'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	80	75	60	35	0
	0.75%	1.00%	1.25%	1.50%	1.75%	0.00%

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.

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

Liquidity/Refinancing	2017/18 £000's
	£000 S
Maturity Structure - Upper Limit	
Under 5 Years	8,000
5 years to 10 years	16,000
11 years to 20 years	39,000
21 years and above	25,407
Total	88,407