

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.

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 2019/20	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
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