

Capital Strategy Prudential Indicators

A requirement for council's to publish a capital strategy came into effect in 2018/19 for the 5 year strategy commencing 2019/20. There is no requirement for a mid-year review to be published but a decision has been taken to provide details of the mid-year position against forecast in a table formats as below.

Table 1 – Estimate of Capital Expenditure in £ millions

Capital expenditure is where the Council spends money on assets, such as property or vehicles which will be used for more than one year.

	2019/20 Actual	2019/20 Forecast	2020/21 Budget	2021/22 Budget
General Fund Services	3	7	6	1
Council Housing (HRA)	4	9	7	7
Capital Investments	3	5	0	0
Total	10	21	13	8

Table 2 – Capital Financing in £ millions

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

	2019/20 Actual	2019/20 Forecast	2020/21 Budget	2021/22 Budget
External Sources	0	1	0	0
Own Resources	7	15	8	8
Debt	3	5	5	0
Total	10	21	13	8

Table 3 – Replacement of Debt Finance in £ millions

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Current MRP and use of capital receipts are as follows:

	2019/20 Actual	2019/20 Forecast	2020/21 Budget	2021/22 Budget
Own Resources	3	3	4	3

Table 4 – Estimates of Capital Financing Requirement in £ millions

The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt.

	2019/20 Forecast	2020/21 Budget	2021/22 Budget
General Fund Services	8	9	8
Council Housing (HRA)	83	81	79
Capital Investments	52	54	54
Total	143	144	141

Table 5 – Capital Receipts in £ millions

When a capital asset is no longer considered necessary, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt.

	2019/20 Actual	2019/20 Forecast	2020/21 Budget	2021/22 Budget
Asset sales	1	2	2	2
Loans repaid	0	0	0	0
Total	1	2	2	2

Table 6 – Gross Debt and Capital Financing Requirement £ millions

Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities, leases) are shown below, compared with the capital financing requirement (see above, table 4).

	2019/20 Actual	2019/20 Forecast	2020/21 Budget	2021/22 Budget
Debt (incl. PFI & Leases)	104	104	114	126
Capital Financing Requirement	135	143	144	141

Table 7 – Proportion of Financing Costs to Net Revenue Stream

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable.

Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Director of Finance and Corporate Services is satisfied that the proposed capital programme is prudent, affordable and sustainable.

	2019/20 Forecast	2020/21 Budget	2021/22 Budget
Financing Costs	6	7	7
Proportion of net revenue stream	26.16%	28.10%	28.84%