

Prudential Indicators 2016/17

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.

Estimates of Capital Expenditure: The Authority's planned capital expenditure and financing may be summarised as follows. Further detail is provided in the capital programme

Capital Expenditure and Financing	2016/17 Outturn £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
General Fund	23.202	38.325	17.692	20.704
HRA	10.035	15.760	11.293	10.957
Total Expenditure	33.237	54.085	28.985	31.661
Capital Receipts	12.929	20.126	7.583	9.861
Revenue Contribution	3.961	0.333	0.000	0.000
Government Grants/Contributions	0.877	0.643	0.265	0.265
Major Repairs Reserve	10.035	14.583	11.288	11.302
Internal Borrowing	5.435	14.699	8.350	2.500
External Borrowing	0.000	3.700	1.500	7.734
Total Financing	33.237	54.085	28.985	31.661

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

Capital Financing Requirement	31.03.17 Outturn £m	31.03.18 Estimate £m	31.03.19 Estimate £m	31.03.20 Estimate £m
General Fund	23.026	31.698	37.071	31.875
HRA	249.345	241.653	226.970	223.137
Total CFR	272.371	273.351	264.041	255.012

The CFR is forecast to fall by £17.359m over the next three years as capital resources put aside for debt repayment outweighs capital expenditure financed by debt.

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.

Debt	31.03.17 Outturn	31.03.18 Estimate	31.03.19 Estimate	31.03.20 Estimate
	£m	£m	£m	£m
External Borrowing	251.899	240.299	224.699	213.633
Net Internal Borrowing	15.971	30.617	38.801	40.993
Finance leases	2.103	2.103	2.103	2.103
Total Debt	269.973	273.019	265.603	256.729

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.

Operational Boundary	2016/17 Outturn	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£m	£m	£m	£m
Borrowing	6	6	6	6
Other long-term liabilities	2.331	2.103	2.103	2.103
Housing Self Financing Borrowing	265.4	251.9	236.6	219.5
Total Debt	273.731	260.003	244.703	227.603

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.

Authorised Limit	2016/17 Outturn	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£m	£m	£m	£m
Borrowing	8	8	8	8
Other long-term liabilities	2.103	2.103	2.103	2.103
Housing Self Financing Borrowing	304.799	304.799	304.799	304.799
Total Debt	314.902	314.902	314.902	314.902

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.

Ratio of Financing Costs to Net Revenue Stream	2016/17 Outturn %	2017/18 Estimate %	2018/19 Estimate %	2019/20 Estimate %
General Fund	0.56%	0.32%	0.80%	1.77%
HRA (includes self financing debt repayments)	37.50%	40.99%	44.57%	47.09%

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.

Incremental Impact of Capital Investment Decisions	2016/17 Outturn £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
General Fund - increase in annual band D Council Tax	-1.60	-1.00	1.83	3.83
HRA - increase in average weekly rents	0	0	0	0

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* in February 2012.

HRA Limit on Indebtedness:

Under the reform of housing finance implemented from 1st April 2012, the Government published the Limits on Indebtedness Determination 2012. This sets out the maximum amount of housing debt that the council may have outstanding at any one time.

	2016/17 Outturn £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
HRA limit on indebtedness	304.799	304.799	304.799	304.799
HRA Capital Financing Requirement	249.345	241.653	226.970	223.137

The HRA limit is maximum housing debt allowed. The HRA CFR is the expected housing debt at the end of each year.

The difference is the principal loan repayments and internal borrowing.