

## PRUDENTIAL INDICATORS 2016/17

1. The objectives of the CIPFA Prudential Code are to ensure that capital investment plans are **affordable**, **prudent** and **sustainable**, and that treasury decisions are taken in accordance with good professional practice.
2. 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. **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 proportion of net principal borrowed are:

Upper limits on interest rate exposures	2016/17	Actual
	%	%
- Upper limit on variable interest rate exposures	25	8
- Upper limit on fixed interest rate exposures	100	92

4. **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing are:

Maturity structure of borrowing	Upper Limit	Actual
	%	%
- Loans maturing within 1 year	25	5
- Loans maturing within 1 - 2 years	25	0
- Loans maturing within 2 - 5 years	25	0
- Loans maturing within 5 - 10 years	50	0
- Loans maturing in over 10 years	100	95

5. **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end are:

£M	2016/17 Estimate	Actual
Principal sums invested > 364 days	17	0

6. **Estimates of Capital Expenditure:** The Council's capital expenditure plans are the key driver of treasury management activity as follows:

Capital Expenditure and Financing	2016/17 Revised Estimate £'000	2016/17 Actual £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
Public Protection	0	0	0	0
Streetscene	644	1	175	0
Leisure & Community	5,290	3,355	552	0
Health & Housing	956	282	480	480
Planning & Development	2,225	261	17	0
Policy & Resources	32,033	1,422	1260	540
<b>Total General Fund</b>	<b>41,148</b>	<b>5,321</b>	<b>2,484</b>	<b>1,020</b>
HRA	8,987	4,310	2,475	2,715
<b>Total Expenditure</b>	<b>50,135</b>	<b>9,631</b>	<b>4,959</b>	<b>3,735</b>

7. **Estimates of Capital Financing Requirement:** The Capital Financing Requirement (CFR) is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure financed by borrowing will increase the CFR.
8. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing in line with the asset's life. The CFR projections are:

£'000	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
General Fund	8,942	9,172	9,402
HRA	52,649	52,419	52,189
<b>Total CFR</b>	<b>61,591</b>	<b>61,591</b>	<b>61,591</b>

9. **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 Council 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.

£'000	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Debt at 1 April	43,082	48,722	48,722
Expected change in debt	5,640	0	0
<b>Gross Debt at 31 March</b>	<b>48,722</b>	<b>48,722</b>	<b>48,722</b>
Capital Financing Requirement (CFR)	61,591	61,591	61,591
<b>Under/(Over) Borrowing</b>	<b>12,869</b>	<b>12,869</b>	<b>12,869</b>
<b>CFR for last, current and next 2 years</b>	<b>240,524</b>	<b>246,364</b>	<b>246,364</b>

10. Total debt is expected to remain below the CFR during the forecast period.

11. The actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt, below.

£'000	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
<b>Operational Boundary</b>			
<b>Borrowing</b>	53,000	58,000	58,000
<b>Other long term liabilities</b>	5,000	5,000	5,000
<b>Total</b>	<b>58,000</b>	<b>58,000</b>	<b>58,000</b>
<b>Authorised Limit</b>			
<b>Borrowing</b>	77,000	79,000	81,000
<b>Other long term liabilities</b>	7,000	7,000	7,000
<b>Total</b>	<b>84,000</b>	<b>86,000</b>	<b>88,000</b>

12. **Operational Boundary for External Debt:** The Operational Boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.
13. The Council confirms that during 2016/17, the Operational Boundary was not breached.
14. **Authorised Limit for External Debt:** The Council 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.
15. Total debt at 30/9/2016 was £42 million. The Council confirms that during the first half of 2016/17 the Authorised Limit was not breached at any time.
16. **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.
17. The positive percentage for the Housing Revenue Account (HRA) reflects the net borrowing costs for the HRA settlement.

	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
<b>General Fund</b>	-6%	-7%	-7%
<b>HRA</b>	15%	15%	15%
<b>Total</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>

18. **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.

	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
<b>Council tax band D</b>	£2.35	£0.29	£0.00
<b>Weekly housing rent levels</b>	£0.23	£0.02	£0.02

## HOUSING REVENUE ACCOUNT (HRA) RATIOS

19. As a result of the HRA Reforms in 2012, the Council moved from a subsidy system to self-financing and was required to take on £49.3 million of debt. The table below shows additional local indicators relating to the HRA in respect of this debt.

	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
<b>HRA debt £'000</b>	49,268	49,268	49,268
<b>HRA revenues £'000</b>	11,180	11,271	11,107
<b>Number of HRA dwellings</b>	2,465	2,454	2,443
<b>Ratio of debt to revenues %</b>	4.41:1	4.37:1	4.44:1
<b>Debt per dwelling £</b>	£19,987	£20,077	£20,167

20. **Adoption of the CIPFA Treasury Management Code:** The Authority has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition*.