

PRUDENTIAL INDICATORS 2017/18

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	2017/18	Actual
	%	%
Upper limit on variable interest rate exposures	25	0
Upper limit on fixed interest rate exposures	100	100

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	2017/18 Estimate	Actual
Principal sums invested > 364 days	2	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	2017/18 Revised Estimate £'000	2017/18 Actual £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
Health & Public Protection	0	0	0	0
Streetscene	699	35	0	0
Leisure & Community	1,330	753	120	0
Housing	4,065	247	480	480
Planning & Environment	770	677	13	14
Policy & Resources	35,896	10,833	1,520	770
Total General Fund	42,760	12,545	2,133	1,264
HRA	4,845	931	4,556	3,211
Total Expenditure	47,605	13,476	6,689	4,475

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	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
General Fund	27,129	46,678	46,422
HRA	52,720	52,490	52,260
Total CFR	79,849	99,168	98,682

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	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Debt at 1 April	45,626	65,308	65,608
Expected change in debt	19,682	300	0
Gross Debt at 31 March	65,308	65,608	65,608
Capital Financing Requirement (CFR)	79,849	99,168	98,682
Under/(Over) Borrowing	14,541	22,560	33,076
CFR for last, current and next 2 years	375,558	392,712	389,657

10. Total debt is expected to remain below the CFR during the forecast period. The actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt, below.

£'000	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Operational Boundary			
Borrowing	70,000	70,000	70,000
Other long-term liabilities	6,000	6,000	6,000
Total	76,000	76,000	76,000
Authorised Limit			
Borrowing	105,000	109,000	111,000
Other long-term liabilities	8,000	8,000	8,000
Total	113,000	117,000	119,000

11. **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.
12. The Council confirms that during the first half of 2017/18, the Operational Boundary has not been breached.
13. **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.
14. Total debt at 30/9/2017 was £42.3 million. The Council confirms that during the first half of 2017/18 the Authorised Limit was not breached at any time.
15. **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.
16. The positive percentage for the Housing Revenue Account (HRA) reflects the net borrowing costs for the HRA settlement.

	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
General Fund	-2%	-1%	-1%
HRA	14%	14%	14%
Total	8%	8%	8%

17. **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.

	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Council tax band D	£4.53	£0.22	£0.05
Weekly housing rent levels	£0.15	£0.12	£0.04

HOUSING REVENUE ACCOUNT (HRA) RATIOS

18. 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.

	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
HRA debt £'000	49,268	49,268	49,268
HRA revenues £'000	11,250	11,070	10,900
Number of HRA dwellings	2,383	2,406	2,393
Ratio of debt to revenues %	4.43:1	4.38:1	4.45:1
Debt per dwelling £	£20,675	£20,477	£20,588
HRA Debt Cap	56,851	56,851	56,851
HRA CFR	52,720	52,490	52,260
HRA Headroom	4,131	4,361	4,591

19. **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*.