PRUDENTIAL INDICATORS 2016/17

The Local Government Act 2003 requires the Council to have regard to CIPFA'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.

Estimates of Capital Expenditure

The Council's planned capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	2016/17 Approved £m	2016/17 Revised £m	2016/17 Actual £m	2017/18 Estimate £m	2018/19 Estimate £m
General Fund	4.1	6.4	**4.2**	7.9	20.4
HRA	16.6	13.4	**13.9**	15.4	21.3
Total Expenditure	**20.7**	**19.8**	**18.1**	**23.3**	**41.7**
Capital Receipts	1.3	3.0	**4.4**	3.0	3.0
Grants	1.6	2.4	**1.4**	3.9	3.3
Reserves	2.5	2.0	**-**	4.5	12.4
Revenue	13.7	10.6	**10.5**	9.1	9.1
Developers Contributions	0.8	0.4	**0.7**	0.9	0.4
Borrowing	0.8	1.4	**1.1**	1.9	13.5
Total Financing	**20.7**	**19.8**	**18.1**	**23.3**	**41.7**

Estimates of Capital Financing Requirement

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

Capital Financing Requirement	**31.03.17 Approved £m**	**31.03.17 Revised £m**	**31.03.17 Actual £m**	**31.03.18 Estimate £m**	**31.03.19 Estimate £m**
General Fund	3.5	3.5	**3.3**	4.0	16.5
HRA	144.6	144.6	**144.6**	140.5	136.4
Total CFR	**148.1**	**148.1**	**147.9**	**144.5**	**152.9**

The General Fund CFR is forecast to rise by £13.2m over the next two years as capital expenditure financed by debt outweighs resources put aside for debt management, but the HRA CFR will fall by £8.2m as the first instalments of the Self Financing Settlement borrowing are repaid.

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.

Debt	**31.03.17 Forecast £m**	**31.03.17 Revised £m**	**31.03.17 Actual £m**	**31.03.18 Estimate £m**	**31.03.19 Estimate £m**
Borrowing	144.1	144.1	**144.1**	139.8	147.5

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.

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.

Operational Boundary	**2016/17 Approved £m**	**2016/17 Revised £m**	**2016/17 Actual £m**	**2017/18 Estimate £m**	**2018/19 Estimate £m**
Borrowing	163.1	163.0	**144.1**	159.4	167.8

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 Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2016/17 Approved £m	2016/17 Revised £m	2016/17 Actual £m	2017/18 Estimate £m	2018/19 Estimate £m
Borrowing	178.1	178.0	**144.1**	174.4	194.8

The increase in authorised limit for external debt for 2018/19 is reflective of the total potential borrowing as a result of the Council's approved Commercial Property Investment strategy.

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 Approved %	2016/17 Revised %	2016/17 Actual %	2017/18 Estimate %	2018/19 Estimate %
General Fund	0.6	0.6	**0.1**	0.8	2.3
HRA	0.0	0.0	**0.0**	0.0	(0.2)

In 2018/19 it is estimated that the ratio of financing costs to Net Revenue Stream for the HRA will be -0.2%. This reduction reflects the decrease in interest payable on the HRA loan, due to the commencement of repayment of principal from 2017/18.

Adoption of the CIPFA Treasury Management Code

The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition in February 2002 and complies with all revisions of the Code.