

PRUDENTIAL INDICATORS

Appendix 1

INDICATORS	2016/17 Actual	2017/18 Estimate	2017/18 Outturn	Within Limits?
1) Prudence indicators				
i) Capital Expenditure				
General Fund	£178.1m	£167.7m	£165.0m	YES
HRA	£56.3m	£63.3m	£55.2m	YES
	£234.4m	£231.0m	£220.2m	
ii) CFR at 31 March				
General Fund	£774.2m	£823.5m	£867.1m	YES
HRA	£280.3m	£279.8m	£294.7m	YES
PFI notional 'debt'	£226.0m	£215.8m	£208.0m	N/A
	£1,280.5m	£1,319.1m	£1,369.8m	
iii) External Debt at 31 March				
Borrowing	£788.9m	£831.5m	£865.6m	YES
PFI & leasing notional 'debt'	£226.0m	£215.8m	£208.0m	N/A
	£1,014.9m	£1,047.2m	£1,073.6m	
2) Affordability indicators				
i) Financing costs ratio				
General Fund	12.8%	15.4%	13.0%	YES
General Fund (Inc PFI costs)	22.8%		20.3%	YES
HRA	12.0%	12.3%	12.4%	YES
	Max in year		Max in year	
ii) Authorised limit for external debt	£1,091.6m	£1,300.0m	£1,073.6m	YES
iii) Operational limit for ext. debt	£1,091.6m	£1,275.0m	£1,073.6m	YES
iv) HRA limit on indebtedness				
HRA CFR	319.8	319.8	319.8	YES
HRA Debt Cap (prescribed)	280.3	279.8	294.7	YES
Difference - headroom	34.5	40.0	25.1	YES
3) Treasury Management indicators	£m	£m	£m	
i) Limit on NET variable interest rates	171.4	300.0	93.3	YES
ii) Limit on NET fixed interest rates	588.2	900.0	741.0	YES
iii) Fixed Debt maturity structure				
- Under 12 months	17%	0-25%	7%	YES
- 12 months to 2 years	4%	0-25%	4%	YES
- 2 to 5 years	12%	0-25%	10%	YES
- 5 to 10 years	16%	0-25%	15%	YES
- 10 to 25 years	24%	0-50%	18%	YES
- 25 to 40 years	21%	0-50%	20%	YES
- 40 years and above	6%	0-25%	25%	YES
	Max in year		Max in year	
v) Max sum invested for >364 days	£0m	£20.0m	£0m	YES

NOTES TO THE SCHEDULE OF PRUDENTIAL INDICATORS

1) Prudence Indicators

- i) *'Estimate of total capital expenditure'* – a “reasonable” estimate of total capital expenditure to be incurred, split between the General Fund and the HRA.
 - This estimate takes into account the current approved asset management and capital investment strategies.
- ii) *'Capital financing requirement' (CFR)* – this figure constitutes the aggregate amount of capital spending which has not yet been financed by capital receipts, capital grants or contributions from revenue, and represents the underlying need to borrow money long-term. An actual figure at 31 March each year is required.
 - This approximates to the previous Credit Ceiling calculation and provides an indication of the total long-term debt requirement.
 - The figure includes an estimation of the total debt brought 'on-balance sheet' in respect of PFI schemes and finance leases.
- iii) *'External debt'* - the actual level of gross borrowing (plus other long-term liabilities, including the notional debt relating to on-balance sheet PFI schemes and leases) calculated from the balance sheet.

2) Affordability Indicators

- i) *'Ratio of financing costs to net revenue stream'* – expresses the revenue costs of the Council's borrowing (interest payments and provision for repayment) as a percentage of the total sum to be raised from government grants, business rates, council and other taxes (General Fund) and rent income (HRA). From 1 April 2012, the General fund income figure includes revenue raised from the Workplace Parking Levy.
 - These indicators show the impact of borrowing on the revenue accounts and enable a comparison between years to be made. The increase in the General Fund ratio reflects the falling grant from government and the impact of the extension of the NET capital scheme, funded from specific Government grant and the Workplace Parking Levy income streams.
- ii) *'Authorised limit for external debt'* – this represents the maximum amount that may be borrowed at any point during the year.
 - This figure allows for the possibility that borrowing for capital purposes may be undertaken early in the year, with a further sum to reflect any temporary borrowing as a result of adverse cash flow. This represents a 'worst case' scenario.
- iii) *'Operating boundary for external debt'* – this indicator is a working limit and represents the highest level of borrowing is expected to be reached at any time during the year - It is recognised that this operational boundary may be breached in exceptional circumstances.

- iv) *'HRA limit on indebtedness'* – from 1 April 2012, a separate debt portfolio has been established for the HRA. The CLG have imposed a 'cap' on the maximum level of debt for individual authorities and the difference between this limit and the actual HRA CFR represents the headroom available for future new borrowing.

3) **Treasury Management Indicators**

- i) *'Upper limit on NET variable interest rate exposure'* - is set to control the Council's exposure to interest rate risk. The upper limits on variable rate interest rate exposures, expressed as the amount of net principal borrowed.
- A high level of variable rate debt presents a risk from increases in interest rates. This figure represents the maximum permitted exposure to such debt.
- ii) *'Upper limit on NET fixed interest rate exposure'* - is set to control the Council's exposure to interest rate risk. The upper limits on fixed interest rate exposures, expressed as the amount of net principal borrowed.
- Fixed rate borrowing provides certainty for future interest costs, regardless of movements in interest rates.
- iii) *'Upper and lower limits with respect to the maturity structure of the Council's borrowing'* – this shows the amount of fixed rate borrowing maturing in each period, expressed as a percentage of total fixed rate borrowing.
- This indicator is designed to be a control over having large amounts of fixed rate debt falling to be replaced at the same time.
- iv) *'Total sums invested for periods of greater than 364 days'* – a limit on investments for periods longer than 1 year.
- This indicator is designed to protect the liquidity of investments, ensuring that large proportions of the cash reserves are not invested for long periods.
- v) *The adoption of the CIPFA Code of Practice for Treasury Management in the Public Services'*. This is not a numerical indicator, but a statement of good practice.
- The Council adopted the Code on 18 February 2002. Revised Codes, issued in 2009 and 2011, have subsequently been incorporated within the Council's strategy and procedures. The revised code issued in December 2017, will be fully incorporated by 31 March 2019.
- vi) *Credit risk* – The Council monitors a range of factors to manage credit risk, detailed in its annual Treasury Management Strategy (Investment Strategy section).