

Prudential Indicators

The Local Government Act 2003 requires the Council 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 Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

1 Estimates of Capital Financing Requirement

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

	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's
Capital Financing Requirement 1 April	98,881	113,472	121,805	121,054	120,736
Prudential Borrowing	4,271	9,087	94	502	813
Minimum Revenue Provision (MRP)	(694)	(754)	(845)	(820)	(898)
HRA Debt Repayment Adjustment	11,014	0	0	0	0
Capital Financing Requirement 31 March	113,472	121,805	121,054	120,736	120,651

2 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.

	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's
PWLB	102,100	102,100	99,100	97,100	93,400
Total Debt	102,100	102,100	99,100	97,100	93,400

3 Capital Financing Requirement – General Fund and HRA

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

	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's
General Fund	10,084	9,962	9,211	8,893	8,808
HRA	103,388	111,843	111,843	111,843	111,843
Total CFR	113,472	121,805	121,054	120,736	120,651

4 Available HRA Headroom

The difference between the HRA CFR and the Debt Ceiling is the headroom available Capital Spend.

	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's
HRA CFR	103,388	111,843	111,843	111,843	111,843
HRA Debt Ceiling	112,350	112,350	112,350	112,350	112,350
Available Headroom	8,962	507	507	507	507

5 Authorised Borrowing Limit

The Authorised Limit for External Debt sets out the maximum level of borrowing a Local Authority should enter into, which covers both borrowing for capital and temporary purposes to cover any potential shortfall of revenue cash flow. The limit is set as £10m above the forecast CFR levels.

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Authorised Borrowing Limit	123,472	131,805	131,054	130,736	130,651

The Authorised Borrowing Limit is linked to the movement in the Capital Financing Requirement which means the limits remain appropriate to the Council for each year of the MTFP.

6 Operational Boundary

The Operational Boundary is intended to provide a management tool which helps to assess whether the Council's level of borrowing is in line with its agreed Medium Term Financial Plan, and in particular the capital expenditure and capital financing plans. In normal operating circumstances the level of borrowing should not exceed the Operational Boundary. The Operational Boundary is set at £5m below the authorised limit.

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Operational Boundary	118,472	126,805	126,054	125,736	125,651

7 Ratio of financing costs to the net revenue stream

This indicator identifies the trend in the cost of capital (interest on borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2017/18 Estimated %	2018/19 Estimated %	2019/20 Estimated %	2020/21 Estimated %	2021/22 Estimated %
General Fund	7.62	8.98	9.25	9.07	9.94
HRA	65.82	60.04	54.80	60.24	63.52

8 Impact on Council Tax and Rents from prudential borrowing

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and housing rent levels.

	2017/18	2018/19	2019/20	2020/21	2021/22
Impact on Council Tax					
Borrowing Amount	£0.460m	£0.632m	£0.094m	£0.502m	£0.813m
Planned Prudential Borrowing	£4.86	£6.69	£0.99	£5.31	£8.59
Impact on Weekly Rents					
Borrowing Amount	£3.811m	£8.455m	0	0	0
Planned Prudential Borrowing	£0.87	£1.92	0	0	0

9 Interest rate exposures

This indicator is set to control the Council's exposure to interest rate risk

	Upper Limit Variable Interest Rate	Upper Limit Fixed Interest Rate
2017/2018	75%	100%
2018/2019	75%	100%
2019/2020	75%	100%
2020/2021	75%	100%
2021/2022	75%	100%

10 Maturity Structure of Borrowing - Amount of projected borrowing that is fixed rate maturing in each period

This indicator is designed to control against the Council having large concentrations of fixed rate debt that need to be replaced over a relatively short period of time. This ensures that the Council does not find itself in a position of having to replace a large proportion of its debt at a time when interest rates are adverse or uncertain

	Lower Limit %	Upper Limit %	Forecast Position at 31 March 2019 %
Under 12 months	0	20	4.9
12 months and within 24 months	0	40	3.6
24 months and within 5 years	0	60	7.25
5 years and within 10 years	0	80	23.51
10 years and above	0	100	60.72

11 Upper limit for principal sums invested for periods longer than 365 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 long-term principal sum invested to final maturities beyond the period end will be.

Year	Limit of investments maturing beyond the year end
2017/2018	£10m
2018/2019	£10m
2019/2020	£7m
2020/2021	£7m
2021/2022	£7m