

PRUDENTIAL INDICATORS 2018/19

The Local Government Act 2003 requires the Authority 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 Authority 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 Authority's capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	2018/19 Actual £m	2018/19 Projected Outturn £m	2019/20 Estimate £m	2020/21 Estimate £m
General Fund	4.915	5.228	18.836	5.524
HRA	13.154	12.658	12.267	8.600
Total Expenditure	18.069	17.886	30.268	15.466
Capital Receipts	5.709	5.885	10.875	2.554
Government Grants	1.151	1.080	9.595	5.038
Revenue/ Reserves	8.528	8.240	9.798	7.839
Debt/Capital Financing Requirement	2.681	2.681	0	0
Total Financing	18.069	17.886	30.268	15.466

An additional £3.157m of capital receipts was used to reduce the General Fund CFR during the period.

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

Capital Financing Requirement	31.03.19 Actual £m	31.03.19 Estimate £m	31.03.20 Estimate £m	31.03.21 Estimate £m
General Fund	0	0	0	0
HRA	55,852	55,852	51,409	46,966
Total CFR	61.445	56.695	52.098	47.349

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 Authority 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	31.03.19 Actual £m	31.03.19 Estimate £m	31.03.20 Estimate £m	31.03.21 Estimate £m
Borrowing	55.852	55.852	51,409	46,966
Total Debt	55.852	55.852	51,409	46,966

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

Operational Boundary for External Debt: The operational boundary is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance leases and other liabilities that are not borrowing but form part of the Authority's debt. The level set includes an allowance for the possibility of significant payments due to successful business rate appeals. Debt remained within boundaries during the period.

Operational Boundary	2018/19 £m	2019/20 £m	2020/21 £m
Borrowing	100	100	100
Other long-term liabilities	0	0	0
Total Debt	100	100	100

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

Authorised Limit	2018/19 £m	2019/20 £m	2019/20 £m	2020/21 £m
Borrowing	120	120	120	120
Other long-term liabilities	0	0	20	20
Total Debt	120	120	120	120

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	2018/19 Revised %	2018/19 Projected Outturn %	2019/20 Original Estimate %	2020/21 Original Estimate %
General Fund	-15.56	-11.2	-5.55	-5.51%
HRA	6.71	6.85	6.39	6.00

The General Fund ratio is negative because interest revenues exceed financing costs.