

APPENDIX B

PRUDENTIAL INDICATORS

THE CAPITAL PRUDENTIAL INDICATORS

The Council's capital expenditure plans are the key driver of treasury management activity. The outputs of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members to overview and confirm capital expenditure plans.

CAPITAL EXPENDITURE

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

Capital Expenditure	2011/12 Actual £000	2012/13 Actual £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000
Total	2,213	1,875	1,480	841	801

The table below summarises the above capital expenditure plans and how these plans are being financed. Any shortfall of resources results in a funding need (borrowing).

The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2011/12 Actual £000	2012/13 Actual £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000
Total	2,213	1,875	1,480	841	801
Financed by:					
Capital receipts	275	1,025	1,055	100	100
Capital grants	1,906	745	178	186	239
Revenue Reserves	32	63			
Revenue Funding					
New Homes Bonus			205	555	462
Net borrowing need for the year	Nil	42	42	Nil	Nil

The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply 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 in the table above, which has not immediately been paid for, will increase the CFR.

Following accounting changes the CFR includes any other long term liabilities (e.g. PFI schemes, finance leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has none of these such schemes within the CFR.

£m	2011/12 Actual	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Capital Financing Requirement					
Total CFR	1,880	1,838	1,838	1,838	1,796
Movement in CFR	(42)	0	0	(42)	(42)
Movement in CFR represented by					
Net financing need for the year (above)	0	42	42	0	0
Less MRP/VRP and other financing movements	(42)	(42)	(42)	(42)	(42)
Movement in CFR	(42)	0	0	(42)	(42)

*The Head of Finance and Audit recommends that for 2014/15 that the Minimum Revenue Provision (MRP) is not used to help fund the capital programme but to accumulate in the General Fund for the repayment of the principal amount of the loan.

Debt Rescheduling

The Council has one PWLB loan of £2.1 million which matures in 2053; this is at a rate of 4.55%.

The Council has not undertaken any debt rescheduling during the first six months of 2013/14.

The Council has enquired as to whether there is any opportunity to reschedule the PWLB loan of £2.1 million but the associated early repayment charge and premium that would be charged makes this uneconomic at this stage.

AFFORDABILITY PRUDENTIAL INDICATORS

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the receipt of net investment income against the net revenue stream. It is calculated by dividing investment income and interest received by the Council's Net Budget.

	2011/12 Actual	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Ratio of net investment income to net revenue stream (surplus).	1.3%	1.3%	1.7%	1.5%	1.6%

Estimates of the incremental impact of capital investment decisions on council tax

This indicator calculates the notional cost of the impact of lost investment income on the Council Tax, from spending capital resources.

The Council is not undertaking any borrowing to fund its Capital Programme at present.

Incremental impact of capital investment decisions on the band D council tax (notional cost as explained above)

	2011/12 Actual £	2012/13 Actual £	2013/14 Estimate £	2014/15 Estimate £	2015/16 Estimate £
Future incremental impact of capital investment decisions on the band D council tax (Notional cost)	0.02	0.07	0.13	0.03	TBA

TREASURY INDICATORS: LIMITS TO BORROWING ACTIVITY

The Operational Boundary – This is the limit beyond which external debt is not normally expected to exceed. This is the maximum level of external debt for cash flow purposes.

Operational Boundary	2012/13 £	2013/14 £	2014/15 £	2015/16 £
Borrowing	3,000,000	3,000,000	3,000,000	3,000,000
Other long term liabilities	-	-	-	-
Total	3,000,000	3,000,000	3,000,000	3,000,000

The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period.

Operational Boundary	2012/13 Actual Position	2013/14 Original Estimate	Current Position	2013/14 Revised Position
Prudential Indicator – Capital Financing Requirement				
CFR	1,838,000	1,838,000		1,838,000
Prudential Indicator – External Debt/ the Operational Boundary				
Total Debt 31 March 2013	2,100,000	2,100,000	2,100,000	2,100,000

The Authorised Limit for External Debt – A further key prudential indicator represents a control on the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by Members. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This provides headroom over and above the operational boundary for unusual cash movements. This is the maximum amount of money that the Council could afford to borrow.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been exercised.

Authorised limit	2013/14 Original Indicator £	2013/14 Current Position £	2013/14 Revised Indicator £
Borrowing	6,000,000	2,100,000	6,000,000
Other long term liabilities	-	-	-
Total	6,000,000	2,100,000	6,000,000