

Prudential Indicators

Capital Expenditure Plans

The Council is asked to approve the capital expenditure projections below. The estimate of capital expenditure is based on the capital programme in this report and estimates of capital spend that may become necessary during the period of the medium term financial strategy.

	2016/17 Revised £000	2017/18 Revised £000	2018/19 Revised £000	2019/20 Estimate £000
Projected Capital Expenditure	10,201	26,310	9,803	8,990
Financed by:				
Capital receipts and third party contributions	5,033	8,603	7,554	4,956
Capital grants	513	513	713	713
Revenue reserves*	1,119	2,953	536	821
Total Financing	6,665	12,069	8,803	6,490
Net financing need	3,536	14,241	1,000	2,500

* Includes use of New Homes Bonus

The Council's borrowing need, the Capital Financing Requirement

The Council is asked to approve the projections below.

Capital Requirement	Financing	2016/17 Revised £000	2017/18 Revised £000	2018/19 Revised £000	2019/20 Estimate £000
Opening balance		13,256	15,957	29,276	29,119
Net financing need		3,536	14,241	1,000	2,500
Less MRP		(835)	(922)	(1,157)	(1,064)
Closing balance		15,957	29,276	29,119	30,555
Net inc/(decrease)		2,701	13,319	(157)	1,436

The CFR is forecast to rise significantly next year as capital expenditure financed by debt outweighs resources put aside for debt repayment. In the subsequent two years it stabilises. The current longer term projection shows 2019/20 as the peak level.

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. Total debt is expected to remain below the CFR during the forecast period as indicated below.

	2016/17 Revised £000	2017/18 Revised £000	2018/19 Revised £000	2019/20 Estimate £000
Gross Borrowing	4,000	4,000	4,000	0
Capital Fin. Req.	15,957	29,276	29,119	30,555

Limits to debt

There are two indicators that seek to put a limit on debt. The first limiting indicator is the 'operational boundary' which represents the expected maximum debt position during each year but is not an absolute limit. The other debt prudential indicator is the 'authorised limit' for external debt which represents the limit beyond which external borrowing is prohibited, and needs to be set and revised by Council. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The table below shows the estimates that the Council are asked to approve.

	2017/18	2018/19	2019/20
Operational boundary - borrowing	£4m	£4m	£0m
Operational boundary – other long term liabilities	£0m	£0m	£0m
Operational boundary - Total	£4m	£4m	£0m
Authorised limit – borrowing	£14m	£14m	£14m
Authorised limit – other long-term liabilities	£1m	£1m	£1m
Authorised limit – Total	£15m	£15m	£15m

The projection assumes the single debt is repaid in 2019 and no new borrowing is taken out.

Affordability Prudential Indicators:

Estimates of the ratio of financing costs to net revenue stream – This indicator identifies the trend in the cost of capital (borrowing costs net of investment income) against the net revenue stream. It therefore measures how much of the Council's overall income is used to finance capital. The increase is due to the capital expenditure which is not financed from capital and revenue resources.

	2016/17	2017/18	2018/19	2019/20
Ratio of financing costs to net revenue stream	4%	2%	4%	3%

Estimates of the incremental impact of capital investment decisions on the Council Tax – This indicator identifies the revenue costs associated with the proposed changes to the capital programme recommended in the budget report. The costs are shown per Band D property and have been included in all the budget projections brought before the Council. The small cost reflects that the growth in capital spend is overwhelmingly externally funded or provides a financial return.

	2017/18	2018/19	2019/20
Impact on Council tax	£0.01	£0.02	£0.02

Adoption of the CIPFA Treasury Management Code: The Authority adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition in February 2012. It fully complies with the Codes recommendations.